

**NEW ISSUE
Book Entry Only**

**Fitch: AA+ (2003-2021)/AAA (2022-2024)_
Moody's: Aa2 (2003-2021)/Aaa (2022-2024)_
Standard & Poor's: AA (2003-2021)/AAA (2022-2024)_**

(See "RATINGS" herein)

In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the Metropolitan Government, interest on the Bonds will be excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining the adjusted current earnings of certain corporations for purposes of the alternative minimum tax on corporations. For an explanation of certain tax consequences under federal law, which may result from the ownership of the Bonds, see the discussion under the heading "Tax Matters" herein. Under existing law, the Bonds and the income therefrom will be exempt from all state, county and municipal taxation in the State of Tennessee, except inheritance, transfer and estate taxes, and Tennessee franchise and excise taxes. (See "Tax Matters" herein).

\$108,690,000
THE METROPOLITAN GOVERNMENT OF
NASHVILLE AND DAVIDSON COUNTY
(TENNESSEE)
General Obligation Multi-Purpose Refunding Bonds, Series 2002

Dated: Date of Delivery

Due: November 15
(as shown on the inside cover)

The Metropolitan Government of Nashville and Davidson County (Tennessee) (the "Metropolitan Government") will issue its \$108,690,000 General Obligation Multi-Purpose Refunding Bonds, Series 2002 (the "Bonds") in fully registered form, without coupons, and, when issued, the Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. Individual purchases of beneficial ownership interests in the Bonds will be made in book-entry form only, in denominations of \$5,000 or multiples thereof through DTC Participants. Interest on the Bonds will be payable semiannually on May 15 and November 15 of each year, commencing on May 15, 2003 calculated on the basis of a 360-day year consisting of twelve 30-day months.

Payments of principal, premium, if any, and interest on the Bonds are to be made to purchasers by DTC through the Participants (as such term is herein defined). Purchasers will not receive physical delivery of Bonds purchased by them. See "DESCRIPTION OF THE BONDS -- Book-Entry Only System."

The Bonds are subject to redemption prior to their stated maturities as more fully set forth herein.

THE BONDS WILL BE DIRECT GENERAL OBLIGATIONS OF THE METROPOLITAN GOVERNMENT. THE FULL FAITH, CREDIT AND TAXING POWER OF THE METROPOLITAN GOVERNMENT ARE IRREVOCABLY PLEDGED FOR THE PROMPT PAYMENT OF THE PRINCIPAL OF PREMIUM, IF ANY, AND INTEREST ON THE BONDS. THE BONDS ARE PAYABLE FROM TAXES LEVIED ON ALL TAXABLE PROPERTY IN THE URBAN SERVICES DISTRICT AND THE GENERAL SERVICES DISTRICT OF THE METROPOLITAN GOVERNMENT WITHOUT LIMITATION AS TO RATE OR AMOUNT.

The scheduled payment of principal of and interest on the Bonds maturing on November 15 of the years __2022 through 2024, inclusive (the "Insured Bonds") when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Insured Bonds by FINANCIAL SECURITY ASSURANCE INC.



The Bonds are offered when, as and if issued by the Metropolitan Government, subject to the approval of legality by Bass, Berry & Sims PLC, Nashville, Tennessee, Bond Counsel. Certain legal matters will be passed upon for the Metropolitan Government by Karl Dean, Director of Law. It is expected that the Bonds will be available for delivery through the Depository Trust Company in New York, New York, on or about October 31, 2002.

\$108,690,000
THE METROPOLITAN GOVERNMENT OF
NASHVILLE AND DAVIDSON COUNTY
(TENNESSEE)

General Obligation Multi-Purpose Refunding Bonds, Series 2002

Year (Nov. 15)	Principal Amount	Interest Rate	Price or Yield	Year (Nov. 15)	Principal Amount	Interest Rate	Price or Yield
2003	5,180,000	3.000%	1.590%	2014	13,295,000	5.000%	3.870%*
2004	1,580,000	3.000%	1.740%	2015	10,220,000	5.000%	4.000%*
2005	1,515,000	3.000%	2.040%	2016	5,685,000	5.000%	4.100%*
2006	4,675,000	4.000%	2.330%	2017	100,000	5.000%	4.200%*
2007	290,000	3.000%	2.630%	2018	385,000	5.000%	4.300%*
2008	300,000	3.000%	2.910%	2019	640,000	5.000%	4.410%*
2009	310,000	3.250%	3.130%	2020	5,950,000	5.000%	4.510%**
2010	320,000	3.500%	3.340%	2021	6,280,000	5.000%	4.600%**
2011	330,000	3.500%	3.440%	2022	6,620,000	4.750%	4.750%
2012	16,230,000	4.500%	3.570%*	2023	6,965,000	4.750%	4.800%
2013	14,490,000	5.000%	3.720%*	2024	7,330,000	4.625%	98.000

*Priced to the November 15, 2010 optional redemption date at a redemption price of 101.0%.

**Priced to the November 15, 2012 optional redemption date at a redemption price of 100.0%.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale in such jurisdiction. No dealer, broker, salesman or any other person has been authorized to give any information or make any representation, other than those contained herein, in connection with the offering of the Bonds, and if given or made, such information or representation must not be relied upon. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor the sale of any of the Bonds implies that there has been no change in the affairs of the Metropolitan Government or the other matters described herein since the date hereof. The information set forth herein has been provided by the Metropolitan Government and by other sources believed to be reliable, but the information is not guaranteed as to its accuracy or completeness and is not to be construed as a representation by the Purchaser.

Other than with respect to information concerning Financial Security Assurance Inc. ("Financial Security") contained under the caption "Bond Insurance" and Appendix E, "Specimen Municipal Bond Insurance Policy" herein, none of the information in this Official Statement has been supplied or verified by Financial Security and Financial Security makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; (ii) the validity of the Bonds; or (iii) the tax exempt status of the interest on the Bonds.

Questions regarding information in this Official Statement should be directed to Celia Y. Kirby, Treasurer, Metropolitan Government, 222 Third Avenue North, Suite 110, Nashville, Tennessee 37201 (615-862-6210).

This Official Statement is deemed to be final for purposes of complying with Rule 15c2-12 of the Securities and Exchange Commission.

Table of Contents

PART I - THE SERIES 2002 BOND ISSUE	<u>Page</u>
GOVERNMENT OFFICIALS.....	3
Summary of General Fund, Fiscal Years 1997-2001.....	4
SUMMARY OF THE OFFERING.....	5
INTRODUCTORY STATEMENT	7
DESCRIPTION OF THE BONDS	7
Purpose of the Bonds.....	7
Plan of Refunding	7
General.....	8
Optional Redemption.....	10
Security and Remedies	11
Book-Entry Only System	11
Defeasance.....	12
BOND INSURANCE	12
SOURCES AND USES OF FUNDS.....	13
Combined General Obligation Bond Debt Service Schedule.....	14
ADDITIONAL BORROWING PLANS	15
LITIGATION AND OTHER PROCEEDINGS	15
CONTINUING DISCLOSURE.....	15
TAX MATTERS	15
Federal Taxes	15
State of Tennessee	16
APPROVAL OF LEGAL PROCEEDINGS.....	16
UNDERWRITING.....	16
VERIFICATION OF DEFEASANCE.....	17
FINANCIAL ADVISOR	17
INDEPENDENT AUDITORS.....	17
RATINGS	17
MISCELLANEOUS.....	17
PART II – YEARLY INFORMATION STATEMENT	Section II
APPENDIX A: General Purpose Financial Statement for the year ended June 30, 2001.....	A-1
APPENDIX B: Form of Opinion of Bond Counsel.....	B-1
APPENDIX C: Information related to Depository Trust Company.....	C-1
APPENDIX D: Continuing Disclosure Undertaking	D-1
APPENDIX E: Specimen Municipal Bond Insurance Policy.....	E-1

GOVERNMENT OFFICIALS

**THE METROPOLITAN GOVERNMENT OF NASHVILLE
AND DAVIDSON COUNTY
(TENNESSEE)**

The Honorable Bill Purcell
Metropolitan County Mayor

The Honorable Howard Gentry, Jr.
Vice Mayor
President of the Metropolitan County Council

David L. Manning
Director of Finance

Karl Dean
Director of Law

Joseph M. Holzmer
Assistant Director of Finance

Celia Y. Kirby
Metropolitan Treasurer

Marilyn S. Swing
Metropolitan Clerk

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

SUMMARY OF GENERAL FUND, FISCAL YEARS 1997-2001
(in thousands of dollars)

	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
Beginning Fund Balance	\$ 88,196	\$ 57,970	\$ 58,396	\$ 71,017	\$ 72,628
Revenues	565,698	558,415	547,903	528,690	487,966
Expenditures	(464,026)	(466,569)	(470,473)	(460,486)	(426,020)
Other Financing Sources (Uses)	(90,963)	(82,834)	(77,856)	(80,930)	(63,557)
Total Accounting Adjustments and Other Changes	<u>1,146</u>	<u>91</u>	<u>--</u>	<u>105</u>	<u>--</u>
Ending Fund Balance	<u>\$ 100,051</u>	<u>\$ 67,073</u>	<u>\$ 57,970</u>	<u>\$ 58,396</u>	<u>\$ 71,017</u>
Ending Unreserved Fund Balance	<u>\$ 85,193</u>	<u>\$ 35,472</u>	<u>\$ 32,264</u>	<u>\$ 31,279</u>	<u>\$ 39,584</u>

Unaudited results for the Fiscal Year ended June 30, 2002 as provided by the Department of Finance of the Metropolitan Government: General fund revenues and other sources are expected to exceed expenditures and other uses (GAAP basis) by \$5,760,679. Revenues are approximately \$629,405,158, and expenses are approximately \$623,644,479. The Ending Unreserved Fund Balance for Fiscal Year 2002 is estimated at \$58,560,349 and excludes approximately \$11 million in funds held as a General Fund reserve for capital equipment.

(remainder of page left blank intentionally)

This Summary Statement is not intended to be complete. Before purchasing the Bonds, the purchaser should refer to the Official Statement in its entirety.

SUMMARY OF THE OFFERING

THE BONDS.....	\$108,690,000, The Metropolitan Government of Nashville and Davidson County (Tennessee), General Obligation Multi-Purpose Refunding Bonds, Series 2002.
BOOK ENTRY SYSTEM.....	The Bonds will be registered to Cede & Co., as nominee of the Depository Trust Company, New York, New York, to which principal and interest payments on the Bonds will be made. Individual purchases will be made in book-entry form only, in principal amounts of \$5,000 or any integral multiple thereof. Beneficial owners of the Bonds will not receive physical delivery of bond certificates, but each beneficial owner will receive a credit balance on the books of the Participant (as defined herein) from whom the beneficial owner purchased the Bonds. The credit balance will be confirmed by an initial transaction statement stating the details of the Bonds purchased.
DENOMINATION	Fully registered bonds, \$5,000 or any integral multiple thereof.
DATE OF ISSUE; DELIVERY	The Bonds will be delivered on or about October 31, 2002, and will be dated the delivery date.
INTEREST PAYMENTS.....	Interest is payable on May 15 and November 15, commencing May 15, 2003.
OPTIONAL REDEMPTION	The Bonds maturing on or before November 15, 2010 will not be subject to optional redemption prior to their respective maturity dates. The Bonds maturing on and after November 15, 2011 may be redeemed prior to their respective maturity dates at the option of the Metropolitan Government at the redemption prices as set forth herein.
PURPOSE.....	The Bonds are being issued to refund certain of the Metropolitan Government's outstanding bonds (see "DESCRIPTION OF THE BONDS – Plan of Refunding") and to pay costs of issuance related to the Bonds.
SECURITY	The Bonds will be direct general obligations of the Metropolitan Government. The full faith, credit and taxing power of the Metropolitan Government are irrevocably pledged for the prompt payment of the principal of, premium, if any, and interest on the Bonds. The Bonds are payable from taxes levied on all taxable property in the Urban Services District and the General Services District of the Metropolitan Government without limitation as to rate or amount.
BOND INSURANCE.....	The scheduled payment of principal and interest on the Insured Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Insured Bonds by FINANCIAL SECURITY ASSURANCE INC. (See "Bond Insurance" herein).
BOND COUNSEL.....	Bass, Berry & Sims, PLC, Nashville, Tennessee
TAX STATUS.....	In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the Metropolitan Government, interest on the Bonds will be excluded from gross income

for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining the adjusted current earnings of certain corporations for purposes of the alternative minimum tax on corporations. For an explanation of certain tax consequences under federal law that may result from the ownership of the Bonds, see the discussion under the heading "Tax Matters" herein. Under existing law, the Bonds and the income therefrom will be exempt from all state, county and municipal taxation in the State of Tennessee, except inheritance, transfer and estate taxes, and Tennessee franchise and excise taxes. (See "Tax Matters" herein).

FINANCIAL ADVISOR.....	Public Financial Management, Inc.
PAYING AGENT/ESCROW AGENT/ REGISTRAR.....	Regions Bank, Nashville, Tennessee
FINANCIAL STATEMENTS.....	Independent auditors have audited Financial statements for the years ended June 30, 1997 through 2001. Information presented herein is derived from these audited financial statements.
UNDERWRITER.....	Morgan Keegan & Company, Inc., Memphis, Tennessee

OFFICIAL STATEMENT

\$108,690,000

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY (TENNESSEE)

General Obligation Multi-Purpose Refunding Bonds, Series 2002

INTRODUCTORY STATEMENT

The purpose of this Official Statement, including the financial information contained in the Appendices attached hereto, is to furnish information in connection with the sale by The Metropolitan Government of Nashville and Davidson County, Tennessee (the "Metropolitan Government") of \$108,690,000 General Obligation Multi-Purpose Refunding Bonds, Series 2002 (the "Bonds").

The Bonds are to be issued under and subject to the provisions of Title 9, Chapter 21 of Tennessee Code Annotated, as amended (the "Act"), the Charter of the Metropolitan Government (the "Charter") which was approved by referendum on June 28, 1962, as amended, and a bond resolution adopted by the Metropolitan County Council (the "Metropolitan Council") of the Metropolitan Government on February 6, 2001, as amended by resolutions adopted on February 20, 2001; October 16, 2001; October 1, 2002; and October 15, 2002 (collectively, the "Bond Resolution").

All financial and other information presented in this Official Statement has been provided by the Metropolitan Government from its records except for information expressly attributed to other sources. The presentation of information is intended to show recent historic information, and is not intended, unless specifically stated, to indicate future or continuing trends in the financial position or other affairs of the Metropolitan Government. No representation is made that past experience, as is shown by such financial and other information, will necessarily continue or be repeated in the future.

This Official Statement should be considered in its entirety, and no one subject discussed should be considered less important than any other by reason of its location in the text. Reference should be made to laws, reports or other documents referred to in this Official Statement for more complete information regarding their contents.

DESCRIPTION OF THE BONDS

Purpose of the Bonds

The Bonds are being issued to refund certain of the Metropolitan Government's outstanding bonds (see "DESCRIPTION OF THE BONDS – Plan of Refunding") and to pay costs of issuance related to the Bonds.

Plan of Refunding

The Bonds are being offered to advance refund portions of (1) the Metropolitan Government's outstanding General Obligation Multi-Purpose Improvement Bonds, Series 1994, dated September 15, 1994 (the "Series 1994 Bonds"); (2) the Metropolitan Government's outstanding General Obligation Multi-Purpose Improvement Bonds, Series 1995, dated April 15, 1995 (the "Series 1995 Bonds"); (3) the Metropolitan Government's outstanding General Obligation Public Improvement Bonds, Series 1996, dated June 15, 1996 (the "Series 1996 Bonds"); and (4) the Metropolitan Government's outstanding General Obligation Multi-Purpose Improvement Bonds, Series 2001A, dated February 15, 2001 (the "Series 2001A Bonds"). (The portion of the the Series 1994 Bonds, the Series 1995 Bonds, the Series 1996 Bonds, and the Series 2001A Bonds being refunded are collectively referred to as the "Refunded Bonds"). A portion of the proceeds of the sale of the Bonds will be deposited in an escrow fund (the "Escrow Fund") to be created pursuant to an escrow agreement to be dated as of the dated date of the Bonds (the "Escrow Agreement"), between the Metropolitan Government and Regions Bank, as escrow agent thereunder (the "Escrow Agent") to be used, together with the earnings thereon, to pay in full and retire the Refunded Bonds. The Escrow Agent shall invest monies on deposit in the Escrow Fund in direct

obligations of, or obligations, the principal of and interest on which are guaranteed by, the United States of America, or any agency thereof, obligations of any agency or instrumentality of the United States or any other obligations which at the time of the purchase thereof are permitted investments under Tennessee law which bonds or other obligations shall not be subject to redemption prior to their maturity other than at the option of the registered owner thereof (the "Escrowed Securities"). The principal and interest on the Escrowed Securities, will be verified by The Arbitrage Group, Inc. (see "VERIFICATION OF DEFEASANCE" herein) to be sufficient to provide for the payment of the principal of, redemption premium, if any, and interest on the Refunded Bonds as more fully described in the table below. Neither principal of, redemption premium, if any, nor the interest on the Escrowed Securities will be available for the payment of the Bonds offered hereby. Upon deposit of the Escrowed Securities and moneys in the Escrow Fund and in compliance with provisions of the resolutions pursuant to which the Refunded Bonds were issued, the Refunded Bonds will be deemed paid and will cease to be entitled to any lien, benefit or security under such resolution and all covenants, agreements and obligations of the Metropolitan Government to the holders of the Refunded Bonds shall cease, terminate and become void and be discharged and satisfied. The Metropolitan Government will irrevocably instruct the Escrow Agent to redeem the Refunded Bonds on the dates noted below:

Bonds to be Refunded

<u>Bonds</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Amount to be Refunded</u>	<u>Redemption Date</u>	<u>Redemption Price</u>
Series 1994	May 15, 2004	5.500%	\$3,065,000	November 30, 2002	102.00%
Series 1995	May 15, 2004	5.000%	2,155,000	May 15, 2003	102.00
Series 1995	May 15, 2005	5.100%	2,270,000	May 15, 2003	102.00
Series 1995	May 15, 2006	5.125%	2,395,000	May 15, 2003	102.00
Series 1995	May 15, 2007	5.250%	2,525,000	May 15, 2003	102.00
Series 1995	May 15, 2018	5.625%	4,730,000	May 15, 2003	102.00
Series 1995	May 15, 2019	5.625%	5,020,000	May 15, 2003	102.00
Series 1995	May 15, 2020	5.625%	5,320,000	May 15, 2003	102.00
Series 1995	May 15, 2021	5.625%	5,645,000	May 15, 2003	102.00
Series 1995	May 15, 2022	5.700%	5,990,000	May 15, 2003	102.00
Series 1995	May 15, 2023	5.700%	6,355,000	May 15, 2003	102.00
Series 1995	May 15, 2024	5.700%	6,740,000	May 15, 2003	102.00
Series 1995	May 15, 2025	5.700%	7,155,000	May 15, 2003	102.00
Series 1996	May 15, 2007	5.600%	1,725,000	May 15, 2006	101.00
Series 2001A	October 15, 2012	5.250%	15,945,000	October 15, 2011	100.00
Series 2001A	October 15, 2013	5.250%	14,270,000	October 15, 2011	100.00
Series 2001A	October 15, 2014	5.500%	13,115,000	October 15, 2011	100.00

General

The Bonds will be issued as fully registered book-entry bonds in the aggregate principal amount of \$108,690,000 and will be dated the date of delivery. Interest on the Bonds, at the rates per annum set forth on the inside of the cover page and calculated on the basis of a 360-day year, consisting of twelve 30-day months, will be payable semiannually on November 15 and May 15 of each year (herein an "Interest Payment Date"), commencing May 15, 2003.

The Bonds will mature on the dates set forth on the inside of the cover page.

The Bonds will be initially registered only in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Regions Bank (the "Registration Agent") will make all interest payments with respect to the Bonds on each Interest Payment Date directly to the registered owners as shown on the Bond registration records maintained by the Registration Agent as of the close of business on the final day of the month next preceding the Interest Payment Date (the "Regular Record Date") by check or draft mailed to such owners at their addresses shown on said Bond registration records, without, except for final payment, the presentation or surrender of such registered Bonds, and all such payments shall discharge the obligations of the Metropolitan Government in respect of such Bonds to the extent of the payments so made. Payment of principal of and premium, if any, on the Bonds shall be made upon presentation and surrender of such Bonds to the Registration Agent, as the same shall become due and payable. All rates of interest specified in the Bond Resolution shall be computed on the basis of a three hundred sixty day year composed of twelve (12) months of thirty (30) days each. In the event the Bonds are no longer registered in the name of DTC or its successor or assigns, if requested by the Owner of at least \$1,000,000 in aggregate principal amount of the Bonds, payment of interest on such Bonds shall be paid by wire transfer to a bank within the continental United States or deposited to a designated account if such account is maintained with the Registration Agent and written notice of any such election and designated account is given to the Registration Agent prior to the record date.

Any interest on any Bond which is payable but is not punctually paid or duly provided for on any interest payment date (hereinafter "Defaulted Interest") shall forthwith cease to be payable to the registered owner on the relevant Regular Record Date; and, in lieu thereof, such Defaulted Interest shall be paid by the Metropolitan Government to the persons in whose names the Bonds are registered at the close of business on a date (the "Special Record Date") for the payment of such Defaulted Interest, which shall be fixed in the following manner: the Metropolitan Government shall notify the Registration Agent in writing of the amount of Defaulted Interest proposed to be paid on each Bond and the date of the proposed payment, and at the same time the Metropolitan Government shall deposit with the Registration Agent an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Registration Agent for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the persons entitled to such Defaulted Interest. Thereupon, not less than ten (10) days after the receipt by the Registration Agent of the notice of the proposed payment, the Registration Agent shall fix a Special Record Date for the payment of such Defaulted Interest which date shall be not more than fifteen (15) nor less than ten (10) days prior to the date of the proposed payment to the registered owners. The Registration Agent shall promptly notify the Metropolitan Government of such Special Record Date and, in the name and at the expense of the Metropolitan Government, not less than ten (10) days prior to such Special Record Date, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first class postage prepaid, to each registered owner at the address thereof as it appears in the Bond registration records maintained by the Registration Agent as of the date of such notice. Nothing contained in the Bond Resolution or in the Bonds shall impair any statutory or other rights in law or in equity of any registered owner arising as a result of the failure of the Metropolitan Government to punctually pay or duly provide for the payment of principal of, premium, if any, and interest on the Bonds when due.

So long as Cede & Co. is the Registered Owner of the Bonds, as nominee of DTC, references herein to the Bondholders, Holders, Owners or Registered Owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds. See Appendix C – "Information Related to Depository Trust Company."

Optional Redemption

The Bonds maturing on or before November 15, 2010 will not be subject to optional redemption prior to their respective maturity dates. The Bonds maturing on and after November 15, 2011 may be redeemed prior to their respective maturity dates at the option of the Metropolitan Government on or after November 15, 2010, in whole or in part at any time at the redemption prices (expressed as a percentage of the principal amount of the Bonds to be redeemed), together with accrued interest thereon to the redemption date as follows:

Period During Which Redeemed (Both dates inclusive)	Redemption Price
November 15, 2010 through November 14, 2011	101.0%
November 15, 2011 through November 14, 2012	100.5%
November 15, 2012 and thereafter	100.0%

If less than all of the Bonds are called for redemption, the maturities of such Bonds to be redeemed shall be selected by the Metropolitan Council in its discretion. If less than all of the Bonds within a maturity should be called for redemption, then the portions thereof to be redeemed will be selected as set forth in "Description of the Bonds - Book-Entry Only System." The Metropolitan Government shall, so long as DTC or DTC's nominee is the registered owner of the Bonds, mail notice of redemption to DTC no less than 30 days nor more than 60 days prior to any redemption date as set forth in the following paragraph, and the Metropolitan Government shall not be responsible for mailing notices of redemption to Participants or Indirect Participants or to the Beneficial Owners of the Bonds. Any failure by DTC to mail such notice to any Participant will not affect the validity of such redemption.

Notice of call for redemption shall be given by the Registration Agent on behalf of the Metropolitan Government not less than thirty (30) nor more than sixty (60) days prior to the date fixed for redemption by sending an appropriate notice to the registered owners of the Bonds to be redeemed by first-class mail, postage prepaid, at the addresses shown on the Bond registration records of the Registration Agent as of the date of the notice; but neither failure to mail such notice nor any defect in any such notice so mailed shall affect the sufficiency of the proceedings for redemption of any of the Bonds for which proper notice was given. The Registration Agent shall mail said notices, in the case of mandatory redemption of term Bonds, as and when provided in the Bond Resolution and in the Bonds, and, in the case of optional redemption, as and when directed by the Metropolitan Government pursuant to written instructions from an Authorized Representative of the Metropolitan Government given at least forty-five (45) days prior to the redemption date (unless a shorter notice period shall be satisfactory to the Registration Agent). So long as Cede & Co., as nominee for DTC, is the registered owner of the Bonds, the Registration Agent shall treat Cede & Co. as the only owner of the Bonds for all purposes, including the giving of notices of redemption. Neither the Metropolitan Government nor the Registration Agent shall have any responsibility or obligations to any DTC Participant or any Beneficial Owner with respect to the delivery or timeliness of delivery by DTC or any DTC Participant of any redemption notice. For a discussion of the notice procedures of DTC, see APPENDIX C-"INFORMATION RELATED TO DEPOSITORY TRUST COMPANY."

Each notice shall state: (1) the Bonds to be redeemed identified by CUSIP number and called amounts of each certificate (for partial calls), date of issue, interest rate, and maturity date; (2) the date fixed for redemption; (3) that such Bonds will be redeemed at the principal corporate trust office of the Registration Agent; (4) the redemption price to be paid; and, (5) that from and after the redemption date interest thereon shall cease to accrue. If at the time of notice of optional redemption, the Metropolitan Government shall not have deposited with the Registration Agent monies sufficient to redeem all the Bonds called for optional redemption, such notice may state that it is conditional, that is, subject to the deposit of the redemption monies with the Registration Agent not later than the opening of business on the redemption date, and such notice shall be of no effect unless monies are so deposited.

Security and Remedies

The Bonds, including the principal thereof, premium, if any, and interest thereon, are payable from ad valorem taxes to be levied on all taxable property in the General Services District of the Metropolitan Government without limit as to time, rate, or amount. The Bonds shall be direct general obligations of the Metropolitan Government, and the full faith and credit of the Metropolitan Government, together with the taxing power of the Metropolitan Government as to all taxable property in the General Services District of the Metropolitan Government, are irrevocably pledged to the payment of the Bonds.

The Metropolitan Government levies taxes in two different taxing districts, one being the Urban Services District, which is an area described in the Charter of the Metropolitan Government generally corresponding to the old city limits of the City of Nashville as they existed before the formation of The Metropolitan Government of Nashville and Davidson County, and the other being the General Services District, which is also described in the Charter and encompasses all property within the Metropolitan Government. The Metropolitan Government also levies a tax for school purposes on all taxable property within the Metropolitan Government. Principal of and interest on the Bonds issued to refund Refunded Bonds issued to finance projects developed and constructed within and for the benefit of the Urban Services District will be paid from the debt service fund of the Urban Services District, and principal of and interest on the Bonds issued to refund Refunded Bonds issued to finance projects that will benefit the entire County will be paid from the debt service fund of the General Services District. Principal of and interest on Bonds issued to refinance Refunded Bonds issued to finance school projects will be paid from the school debt service fund. For the purpose of providing for the payment of the principal of, premium, if any, and interest on the Bonds, the Metropolitan Government will levy in each year in which such Bonds shall be outstanding a direct tax on all taxable property in the General Services District of the Metropolitan Government, fully sufficient to pay all such principal, premium, if any, and interest falling due prior to the time of collection of the next succeeding tax levy; provided, however, taxes so levied in the General Services District shall be levied in an amount sufficient to pay that portion of such principal and interest attributable to the General Services District projects and the school projects and the taxes so levied in the Urban Services District shall be levied in an amount sufficient to pay that portion of such principal, premium and interest attributable to the Urban Services District projects; provided, further, however, that the Metropolitan Government shall be unconditionally and irrevocably obligated to levy and collect ad valorem taxes without limit as to rate or amount on all taxable property in the General Services District to the full extent necessary to pay all principal, premium and interest, on the Bonds, and the full faith and credit of Metropolitan Government shall be pledged to the payment thereof. Said tax shall be assessed, collected and paid at the time, and in the same manner, as the other taxes of said General Services District of the Metropolitan Government, shall be in addition to all other taxes, and shall be without limitation as to time, rate, or amount. Principal, premium, if any, and interest, or any of the foregoing, falling due at any time when there shall be insufficient funds on hand from such tax levy for the payment thereof shall be paid from current funds of said General Services District of the Metropolitan Government, but reimbursement therefor may be made from the taxes when the same shall have been collected.

Any holder or holders of the Bonds shall have the right, in addition to all other rights: (a) to enforce, by mandamus or other suit, action or proceeding in any court of competent jurisdiction, such holder's rights against the Metropolitan Government, the Metropolitan Council and any officer, agent or employee of the Metropolitan Government, including, but not limited to the right to require the Metropolitan Government and the Metropolitan Council and any proper officer, agent or employee of the Metropolitan Government to assess, levy and collect taxes adequate to carry out any other covenants and agreements as to the assessment, levy, and collection of taxes and to perform its and their respective duties under the provisions of Title 9, Chapter 21, of the Tennessee Code Annotated, as amended; and (b) to enjoin, by action or suit in equity, any acts or things which may be unlawful or a violation of the rights of such holder or holders of the Bonds.

Book-Entry Only System

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully registered bonds registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered Bond will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. Information relating to DTC and the Book-Entry Only system is contained in Appendix C.

So long as Cede & Co., as nominee for DTC, is the registered owner of the Bonds, the Registration Agent shall treat Cede & Co., as the only owner of the Bonds for all purposes under the Bond Resolution, including receipt of all principal of, premium, if any, and interest on the Bonds, receipt of notices, voting and requesting or directing the Registration Agent to take or not to take, or consenting to, certain actions under the Bond Resolution.

Payments of principal, premium, if any, and interest with respect to the Bonds, so long as Cede & Co. is the registered owner of the Bonds, shall be paid by the Registration Agent directly to DTC or its nominee, Cede & Co. DTC shall remit such payments to DTC Participants, and such payments thereafter shall be paid by DTC Participants to the Beneficial Owners. Neither the Metropolitan Government nor the Registration Agent shall be responsible or liable for payment by DTC or DTC Participants, for sending transaction statements or for maintaining, supervising or reviewing records maintained by DTC or DTC Participants.

Neither the Metropolitan Government nor the Registration Agent shall have any responsibility or obligations to any DTC Participant or any Beneficial Owner with respect to (i) the Bonds; (ii) the accuracy of any records maintained by DTC or any DTC Participant; (iii) the payment by DTC or any DTC Participant of any amount due to any Beneficial Owner in respect of the principal of, premium, if any, and interest on the Bonds; (iv) the delivery or timeliness of delivery by DTC or any DTC Participant of any notice due to any Beneficial Owner that is required or permitted under the terms of the Bond Resolution to be given to Beneficial Owners; (v) the selection of Beneficial Owners to receive payments in the event of any partial redemption of the Bonds; or (vi) any consent given or other action taken by DTC, or its nominee, Cede & Co., as owner.

Defeasance

The Metropolitan Government may pay, discharge and defease the Bonds in any one or more of the following ways:

(a) By paying or causing to be paid, by deposit of sufficient funds as and when required with the Registration Agent, the principal of, premium, if any, and interest on such Bonds as and when the same become due and payable;

(b) By depositing or causing to be deposited with any trust company or financial institution whose deposits are insured by the Federal Deposit Insurance Corporation or similar federal agency and which has trust powers, in trust or escrow, on or before the date of maturity or redemption, sufficient money or Federal Obligations, the principal of and interest on which, when due and payable, will provide sufficient moneys to pay or redeem such Bonds and to pay premium, if any, and interest thereon when due until the maturity or redemption date. Federal Obligations means direct obligations of, or obligations, the principal of and interest on which are guaranteed by, the United States of America, or any agency thereof, obligations of any agency or instrumentality of the United States or any other obligations which at the time of the purchase thereof are permitted investments under Tennessee law which bonds or other obligations shall not be subject to redemption prior to their maturity other than at the option of the registered owner thereof; or

(c) By delivering such Bonds to the Registration Agent for cancellation;

If the Metropolitan Government shall also pay or cause to be paid all other sums payable under the Bond Resolution by the Metropolitan Government with respect to such Bonds, or make adequate provision therefor, and instruct agent to hold such amounts in escrow and to pay amounts when and as required to the Registration Agent for the payment of principal of and interest on such Bonds when due, then the Bonds shall be discharged and satisfied and all covenants, agreements and obligations of the Metropolitan Government of the holders of such Bonds shall be fully discharged and satisfied and shall thereupon cease, terminate and become void.

If the Metropolitan Government shall pay and discharge the indebtedness evidenced by any of the Bonds in the manner provided in either (a) or (b) above, then the registered owners of such Bonds shall thereafter be entitled only to payment out of the money or Federal Obligations deposited for such purpose.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Financial Security Assurance Inc. ("Financial Security") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy") for the Bonds maturing on November 15 of the years 2022 through 2024, inclusive (the "Insured Bonds"). The Policy guarantees the scheduled payment of principal of and interest on the Insured Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Financial Security Assurance Inc.

Financial Security is a New York domiciled insurance company and a wholly owned subsidiary of Financial Security Assurance Holdings Ltd. ("Holdings"). Holdings is an indirect subsidiary of Dexia, S.A., a publicly held Belgian corporation. Dexia, S.A., through its bank subsidiaries, is primarily engaged in the business of public finance in France, Belgium and other European countries. No shareholder of Holdings or Financial Security is liable for the obligations of Financial Security.

At June 30, 2002, Financial Security's total policyholders' surplus and contingency reserves were approximately \$1,710,044,000 and its total unearned premium reserve was approximately \$898,579,000 in accordance with statutory accounting principles. At June 30, 2002, Financial Security's total shareholders' equity was approximately \$1,817,013,000 and its total net unearned premium reserve was approximately \$744,499,000 in accordance with generally accepted accounting principles.

The financial statements included as exhibits to the annual and quarterly reports filed by Holdings with the Securities and Exchange Commission are hereby incorporated herein by reference. Also incorporated herein by reference are any such financial statements so filed from the date of this Official Statement until the termination of the offering of the Bonds. Copies of materials incorporated by reference will be provided upon request to Financial Security Assurance Inc.: 350 Park Avenue, New York, New York 10022, Attention: Communications Department (telephone (212) 826-0100).

The Policy does not protect investors against changes in market value of the Bonds, which market value may be impaired as a result of changes in prevailing interest rates, changes in applicable ratings or other causes. Financial Security makes no representation regarding the Bonds or the advisability of investing in the Bonds. Financial Security makes no representation regarding the Official Statement, nor has it participated in the preparation thereof, except that Financial Security has provided to the Metropolitan Government the information presented under this caption for inclusion in the Official Statement.

SOURCES AND USES OF FUNDS

Sources of Funds

Bond Par Amount	\$108,690,000.00
Net Original Issue Premium.....	<u>5,608,302.35</u>
Total Sources	<u>\$114,298,302.35</u>

Uses of Funds

Deposit to Escrow Fund	\$ 113,466,551.92
Cost of Issuance	237,344.38
Purchaser's Discount (includes municipal bond insurance premium)	<u>594,406.05</u>
Total Uses	<u>\$114,298,302.35</u>

**THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
COMBINED GENERAL OBLIGATION BOND DEBT SERVICE SCHEDULE**

Fiscal Year Ending June 30	Outstanding Debt (1)			The Bonds			The Refunded Bonds			Outstanding Debt After This Issue			% Principal Retired
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	
2002	67,140,000	63,900,266	131,040,266							67,140,000	63,900,266	131,040,266	5.3%
2003	76,524,999	59,525,793	136,050,792		2,736,866	2,736,866	-	4,558,706	4,558,706	76,524,999	57,703,952	134,228,951	11.4%
2004	78,420,000	56,474,363	134,894,363	5,180,000	4,974,975	10,154,975	5,220,000	5,712,513	10,932,513	78,380,000	55,736,825	134,116,825	17.6%
2005	80,950,000	52,573,486	133,523,486	1,580,000	4,873,575	6,453,575	2,270,000	5,436,188	7,706,188	80,260,000	52,010,874	132,270,874	24.0%
2006	83,700,000	48,595,997	132,295,997	1,515,000	4,827,150	6,342,150	2,395,000	5,320,418	7,715,418	82,820,000	48,102,730	130,922,730	30.6%
2007	69,040,000	43,966,135	113,006,135	4,675,000	4,710,925	9,385,925	4,250,000	5,197,674	9,447,674	69,465,000	43,479,386	112,944,386	36.1%
2008	67,045,000	40,314,325	107,359,325	290,000	4,613,075	4,903,075	-	4,968,511	4,968,511	67,335,000	39,958,888	107,293,888	41.5%
2009	56,695,000	37,055,702	93,750,702	300,000	4,604,225	4,904,225	-	4,968,511	4,968,511	56,995,000	36,691,415	93,686,415	46.0%
2010	55,745,000	34,178,832	89,923,832	310,000	4,594,688	4,904,688	-	4,968,511	4,968,511	56,055,000	33,805,008	89,860,008	50.4%
2011	55,375,000	31,313,829	86,688,829	320,000	4,584,050	4,904,050	-	4,968,511	4,968,511	55,695,000	30,929,367	86,624,367	54.9%
2012	49,379,999	28,779,972	78,159,971	330,000	4,572,675	4,902,675	-	4,968,511	4,968,511	49,709,999	28,384,135	78,094,134	58.8%
2013	48,580,001	26,290,254	74,870,255	16,230,000	4,201,725	20,431,725	15,945,000	4,549,955	20,494,955	48,865,001	25,942,024	74,807,025	62.7%
2014	47,900,000	23,791,604	71,691,604	14,490,000	3,474,300	17,964,300	14,270,000	3,756,811	18,026,811	48,120,000	23,509,093	71,629,093	66.5%
2015	48,500,000	21,255,599	69,755,599	13,295,000	2,779,675	16,074,675	13,115,000	3,021,561	16,136,561	48,680,000	21,013,713	69,693,713	70.4%
2016	45,320,000	18,767,540	64,087,540	10,220,000	2,191,800	12,411,800	-	2,660,899	2,660,899	55,540,000	18,298,441	73,838,441	74.8%
2017	45,495,000	16,363,525	61,858,525	5,685,000	1,794,175	7,479,175	-	2,660,899	2,660,899	51,180,000	15,496,801	66,676,801	78.9%
2018	37,445,000	14,302,211	51,747,211	100,000	1,649,550	1,749,550	4,730,000	2,660,899	7,390,899	32,815,000	13,290,862	46,105,862	81.5%
2019	35,645,000	12,385,242	48,030,242	385,000	1,637,425	2,022,425	5,020,000	2,394,836	7,414,836	31,010,000	11,627,831	42,637,831	83.9%
2020	30,375,000	10,661,661	41,036,661	640,000	1,611,800	2,251,800	5,320,000	2,112,461	7,432,461	25,695,000	10,161,000	35,856,000	86.0%
2021	24,625,000	9,221,593	33,846,593	5,950,000	1,447,050	7,397,050	5,645,000	1,813,211	7,458,211	24,930,000	8,855,432	33,785,432	88.0%
2022	25,225,000	7,908,921	33,133,921	6,280,000	1,141,300	7,421,300	5,990,000	1,495,680	7,485,680	25,515,000	7,554,541	33,069,541	90.0%
2023	26,600,000	6,538,641	33,138,641	6,620,000	827,075	7,447,075	6,355,000	1,154,250	7,509,250	26,865,000	6,211,466	33,076,466	92.1%
2024	28,050,001	5,093,150	33,143,151	6,965,000	504,431	7,469,431	6,740,000	792,015	7,532,015	28,275,001	4,805,566	33,080,567	94.4%
2025	29,585,000	3,568,784	33,153,784	7,330,000	169,506	7,499,506	7,155,000	407,835	7,562,835	29,760,000	3,330,455	33,090,455	96.7%
2026	13,090,000	1,960,600	15,050,600			-			-	13,090,000	1,960,600	15,050,600	97.8%
2027	8,500,000	1,235,941	9,735,941			-			-	8,500,000	1,235,941	9,735,941	98.5%
2028	8,935,000	783,247	9,718,247			-			-	8,935,000	783,247	9,718,247	99.2%
2029	5,115,000	416,981	5,531,981			-			-	5,115,000	416,981	5,531,981	99.6%
2030	5,385,000	141,356	5,526,356			-			-	5,385,000	141,356	5,526,356	100.0%
	<u>1,254,385,000</u>	<u>677,365,546</u>	<u>1,931,750,546</u>	<u>108,690,000</u>	<u>68,522,016</u>	<u>177,212,016</u>	<u>104,420,000</u>	<u>80,549,366</u>	<u>184,969,366</u>	<u>1,258,655,000</u>	<u>665,338,196</u>	<u>1,923,993,196</u>	

(1) Excludes \$66,700,000 initial aggregate principal of the Metropolitan Government of Nashville and Davidson County (Tennessee), District Energy System Revenue Bonds, 2002 Series A, which is subject to annual appropriation.

ADDITIONAL BORROWING PLANS

The Metropolitan Government expects to issue additional general obligation bonds for certain capital projects and for refunding purposes in the future. Currently, the Mayor has submitted a capital projects plan to the Metropolitan Council to fund \$255.6 million in capital projects through bond issuances. The Metropolitan Government currently anticipates the sale of up to \$100 million of general obligation bonds in Fiscal Year 2003 to fund these and other approved projects.

LITIGATION AND OTHER PROCEEDINGS

At the time of delivery of and payment for the Bonds, the Metropolitan Government will deliver, or cause to be delivered, a certificate of the Metropolitan Government stating that there is no controversy or litigation of any nature then pending or threatened, restraining or enjoining the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds or any proceedings of the Metropolitan Government taken with respect to the issuance or sale thereof or the pledge or application of any moneys or security provided for the payment of the Bonds or the corporate existence, boundaries or powers of the Metropolitan Government, or the title of its officials to their respective offices.

CONTINUING DISCLOSURE

Pursuant to Section 10.7 of the Bond Resolution, the Metropolitan Government has covenanted for the benefit of the holders and beneficial owners of the Bonds to distribute certain financial information and operating data relating to the Metropolitan Government by not later than nine months following the end of the Metropolitan Government's fiscal year, commencing with the fiscal year ending June 30, 2002 (the "Annual Report") and to provide notices of the occurrence of certain enumerated events, if deemed by the Metropolitan Government to be material under applicable federal securities laws. A copy of the Continuing Disclosure undertaking is attached hereto as Appendix D.

The Metropolitan Government has not failed to comply in any material respect with any previous undertaking in a written contract or agreement specified in SEC Rule 15c2-12(b)(5).

TAX MATTERS

Federal Taxes

In the opinion of Bass, Berry & Sims PLC, Bond Counsel, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, for purposes of computing the alternative minimum tax imposed on certain corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. Bond Counsel's opinion is subject to the condition that the Metropolitan Government comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Metropolitan Government has covenanted to comply with all such requirements. Failure to comply with certain of such requirements could cause interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds.

Prospective purchasers of the Bonds should be aware that ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income," foreign corporations subject to the branch profits tax and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Bonds. Bond Counsel will not express any opinion as to such collateral tax consequences. Prospective purchasers of the Bonds should consult their tax advisors as to collateral federal income tax consequences.

The initial public offering prices of the Bonds maturing November 15, 2023 and 2024 are less than the amount payable on the Bonds at maturity (the "Discount Bonds"). An amount not less than the difference between the initial public offering price of the Discount Bonds and the amount payable at maturity constitutes "original issue discount," which will be excludable from gross income for federal income tax purposes. A portion of the original issue discount that accrues in each year to an owner of a Discount Bond that is a corporation will be included in the calculation of the corporation's alternative minimum tax liability. Consequently, corporate owners of the Discount Bonds should be aware that the accrual of original issue discount in each year may result in an alternative minimum tax liability although the owners of such Discount Bonds have not received cash attributable to such original issue discount in such year.

The initial public offering prices of the Bonds maturing November 15, 2003 through November 15, 2021 (inclusive) are greater than the amount payable on the Bonds at maturity (the "Premium Bonds"). The difference between (a) the amount payable at maturity of the Premium Bonds and (b) the initial offering price to the public (excluding Bond houses and brokers) at which a substantial amount of the Premium Bonds of such maturities are sold, will constitute the "original issue premium." Under certain circumstances, as a result of the tax cost reduction requirements of the Code relating to the amortization of Bond premium, the owner of a Premium Bond may realize a taxable gain upon its disposition even though the Premium Bond is sold or redeemed for an amount not greater than the owner's original acquisition cost.

Owners of Discount Bonds and Premium Bonds should consult their personal tax advisors with respect to the determination for federal income tax purposes of the amount of original issue discount or interest properly accruable with respect to such Discount Bonds or Premium Bonds, other tax consequences of owning Discount Bonds and Premium Bonds, and with respect to the State of Tennessee and local tax consequences of holding such Discount Bonds and Premium Bonds. The prices set forth on the inside cover page of the Official Statement may or may not reflect the prices at which a substantial amount of the Bonds were ultimately sold to the public.

State of Tennessee

Under existing law, the Bonds and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) inheritance, transfer and estate taxes, (b) Tennessee excise taxes on interest on the Bonds during the period the Bonds are held or beneficially owned by any organization or entity, or other than a sole proprietorship or general partnership doing business in the State of Tennessee, and (c) Tennessee franchise taxes by reason of the inclusion of the book of the value of the Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee.

APPROVAL OF LEGAL PROCEEDINGS

All legal matters incident to the authorization and issuance of the Bonds are subject to the approval of Bass, Berry & Sims PLC, Nashville, Tennessee, Bond Counsel, whose approving opinion in substantially the form attached hereto as Appendix B will be delivered with the Bonds. Certain legal matters with respect to the Metropolitan Government will be passed upon by Karl Dean, Director of Law.

UNDERWRITING

The Bonds were sold at public sale to Morgan Keegan and Company, Inc. at a price of \$113,703,896.30 (which is equal to the par amount of the Bonds plus original issuance premium of \$5,608,302.35 and less underwriting discount of \$594,406.05 (includes municipal bond insurance premium paid by the underwriter).

VERIFICATION OF DEFEASANCE

The arithmetical accuracy of certain computations included in the schedules provided by the Financial Advisor on behalf of the Metropolitan Government relating to (a) computation of forecasted receipts of principal, premium, if any, and interest on the Escrowed Securities and the forecasted payments of principal and interest to redeem the Refunded Bonds, and (b) computation of the yields on the Bonds and the Escrowed Securities was examined by The Arbitrage Group, Inc. Such computations were based solely upon assumptions and information supplied by the Purchasers on behalf of the Metropolitan Government. The Arbitrage Group, Inc. has restricted its procedures to examining the arithmetical accuracy of certain computations and has not made any study or evaluations of the assumptions and information upon which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions, or the achievability of the forecasted outcome.

FINANCIAL ADVISOR

This Official Statement has been prepared under the direction of the Metropolitan Government and with the assistance of Public Financial Management, Inc., Memphis, Tennessee ("PFM"), employed by the Metropolitan Government to perform professional services in the capacity of financial advisor. In their role as financial advisor, PFM has provided advice on the plan of financing and structure of the issue, reviewed and commented on certain legal documents, drafted certain portions of the Official Statement based upon information provided by the Metropolitan Government and reviewed the pricing of the Bonds by the Purchaser thereof. The information set forth herein has been obtained from the Metropolitan Government and other sources, which are believed to be reliable. PFM has not verified the factual information contained in the Official Statement but relied on the information supplied by the Metropolitan Government and the Metropolitan Government's certificate as to the Official Statement.

INDEPENDENT AUDITORS

The general purpose financial statements of the Metropolitan Government as of the fiscal year ended June 30, 2001 included in Appendix A to this Official Statement, have been audited by KPMG LLP, independent auditors, as stated in their report appearing in Appendix A.

RATINGS

Fitch Ratings, Moody's Investors Service, Inc., and Standard & Poor's Ratings Services have assigned the ratings of AA+, Aa2 and AA, respectively, to the Bonds maturing 2003 through and including 2021. The Bonds maturing 2022 through and including 2024 (the Insured Bonds) have been assigned ratings of AAA, Aaa, and AAA by Fitch Ratings, Moody's Investors Service, Inc., and Standard & Poor's Ratings Services, respectively, with the understanding that upon delivery of the Insured Bonds, the Policy will be issued by Financial Security Assurance, Inc. Such ratings reflect only the view of such organizations and an explanation of the significance of such ratings may be obtained only from the respective rating agency. There is no assurance that such ratings will be maintained for any given period of time or that they will not be revised downward or be withdrawn entirely by the respective rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

MISCELLANEOUS

The references, excerpts and summaries of all documents referred to in this Official Statement and in the Appendices to this Official Statement do not purport to be complete statements of the provisions of such documents, and reference is directed to all such documents for full and complete statements of all matters of fact relating to the Bonds, the security for the payment of the Bonds and the rights and obligations of the holders thereof.

The information contained in this Official Statement has been compiled from sources deemed to be reliable, and while not guaranteed as to completeness or accuracy, is believed to be correct as of this date.

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. Neither this Official Statement nor any statement, which may have been made verbally or in writing, is to be construed as a contract with the holders of the Bonds.

The Metropolitan Council has duly authorized the execution and delivery of this Official Statement on behalf of the Metropolitan Government by its Mayor and its Director of Finance.

**THE METROPOLITAN GOVERNMENT OF
NASHVILLE AND DAVIDSON COUNTY (TENNESSEE)**

/s/ Bill Purcell
Metropolitan County Mayor

/s/ David L. Manning
Director of Finance

PART II

YEARLY INFORMATION STATEMENT

PART II

YEARLY INFORMATION STATEMENT OF THE METROPOLITAN GOVERNMENT

DATED AS OF JUNE 30, 2001

This Yearly Information Statement of The Metropolitan Government of Nashville and Davidson County (the “Metropolitan Government”) contains information current through June 30, 2001. The Metropolitan Government expects to update this Yearly Information Statement each year following the release of the Metropolitan Government’s audited financial statements.

Subsequent Events

Subsequent to the release of this Yearly Information Statement, the Metropolitan Government has issued its (i) \$16,265,000 Special Limited Obligation Correctional Facilities Revenue Refunding Bonds Series 2002, dated February 1, 2002, and (ii) \$31,065,000 General Obligation Energy Production Facilities Revenue Refunding Bonds Series 2002A and \$27,000,000 General Obligation Energy Production Facilities Revenue Refunding Bonds (Federally Taxable) Series 2002B, each dated April 1, 2002.

THE METROPOLITAN GOVERNMENT

ORGANIZATION

On June 28, 1962, the voters of Nashville and Davidson County approved the Charter of the Metropolitan Government. The Tennessee Supreme Court upheld the validity of the Charter in October 1962. On April 1, 1963 the governments of the City of Nashville and of Davidson County were consolidated to form "The Metropolitan Government of Nashville and Davidson County," under which the boundaries of Nashville and Davidson County are co-extensive.

The executive and administrative powers are vested in the Metropolitan County Mayor (the "Mayor"), who is elected at-large for a four-year term. The Mayor is authorized to administer, supervise and control all departments and to appoint all members of boards and commissions created by the Metropolitan Charter or by ordinance enacted pursuant to the Metropolitan Charter unless otherwise accepted. A two-thirds vote of the Council is required to override the Mayor's veto. The Charter also provides for a Vice Mayor, who is elected at large for a four-year term and is the presiding officer of the Council. The Council is the legislative body of the Metropolitan Government and is composed of 40 members who are elected for four-year terms: 35 are elected from council districts and five are elected at large.

The Charter provides a framework for local government in Nashville to serve the needs of two service districts: (i) the General Services District ("GSD") and (ii) the Urban Services District ("USD"). The GSD embraces the entire area of Davidson County and is taxed to support those services, functions and debt obligations which are deemed properly chargeable to the whole population. Such services include general administration, police, fire protection, courts, jails, health, welfare, hospitals, streets and roads, traffic, schools, parks and recreation, auditoriums, public housing, urban renewal, planning and public libraries. The original USD conformed to the corporate limits of the City of Nashville as they existed on April 1, 1963, the date of consolidation. The residents of the USD are charged an additional tax to support those services, functions and debt obligations which benefit only the USD. Such services include additional police and fire protection, storm sewers, street lighting and refuse collection. The Charter provides: "The area of the Urban Services District may be expanded and its territorial limits extended by annexation whenever particular areas of the General Services District come to need urban services, and the Metropolitan Government becomes able to provide such services within a reasonable period which shall be not greater than one year after ad valorem taxes in the annexed area become due." Since April 1, 1963, the area of the USD has been expanded from 27 square miles to 170 square miles. The map on the previous page illustrates the geographic area encompassing each of the districts.

Fiscal Year

The Metropolitan Government operates on a fiscal year which commences July 1 and ends June 30.

Budgeting Procedures

Operating Budget. The Charter requires the Director of Finance to obtain information necessary to compile the annual operating budget of the Metropolitan Government from all officers, departments, boards, commissions and other agencies for which appropriations are made by the Metropolitan Government or which collect revenues for the Metropolitan Government.

The Mayor reviews the operating budget submitted by the Director of Finance, and may make such revisions in the budget deemed necessary or desirable before it is submitted to the Council for consideration. In no event can the total appropriations from any fund exceed the total anticipated revenues plus the estimated unappropriated fund balance and applicable reserves. After the Council has passed the budget ordinance on first reading, it will hold public hearings. After the conclusion of the public hearings, the Council may amend the operating budget prepared by the Mayor. The budget as finally amended and adopted, however, must provide for all expenditures required by law or by provisions of the Charter and for all debt service requirements for the ensuing fiscal year as certified by the Director of Finance.

The Charter requires that following the adoption of the Metropolitan Government's annual operating budget, an annual tax is to be levied on all taxable property within the GSD and an additional annual tax on all taxable property within the USD. These annual taxes must be at rates sufficient to finance the GSD and USD budgets adopted for their respective service districts.

Capital Improvements Budget. As provided by the Charter, the capital improvements budget and program for the Metropolitan Government is prepared annually to "include a program of proposed capital expenditures for the ensuing fiscal year and the five fiscal years thereafter...." The Mayor submits the capital improvements budget, based on information from all officers, departments, boards, commissions and other agencies requesting funds from the Metropolitan Government for capital improvements, to the Council and recommends those projects to be undertaken during the ensuing fiscal year and the method of financing them. The Mayor's recommendation notes the impact of proposed projects on the debt structure of the Metropolitan Government and includes in the appropriate current operating budget any projects to be financed from current revenues for the ensuing fiscal year.

The Council has the power to accept, with or without amendment, or reject, the proposed program and proposed means of financing. The Council cannot authorize an expenditure for the construction of any building, structure, work or improvement, unless the appropriation for such project is included in its capital improvements budget, except to meet a public emergency threatening the lives, health or property of the inhabitants, when passed by two-thirds vote of the membership of the Council.

The following information identifies capital projects in the 2001-2002 Capital Improvements Budget which are given priority for funding by the Mayor and the Council for fiscal year 2001-2002 and the following three years.

Priority Capital Projects Planning

	Four Year				
	Total	2001-2002	2002-2003	2003-2004	2004-2005
G.S.D.					
Circuit Court Clerk	\$ 250,000	\$ 250,000	\$ -	\$ -	\$ -
Codes Administration	1,000,000	-	700,000	300,000	-
District Atty. General	420,000	150,000	210,000	-	60,000
Election Commission	1,087,000	1,087,000	-	-	-
Finance Department	70,501,000	57,901,000	5,000,000	3,800,000	3,800,000
Fire Department	8,620,000	3,640,000	1,750,000	1,990,000	1,240,000
General Services	38,382,000	18,207,000	5,700,000	6,900,000	7,575,000
Health Department	660,000	660,000	-	-	-
Historical Commission	345,000	170,000	75,000	50,000	50,000
Hospital Authority: General	1,320,000	1,095,000	225,000	-	-
Information Systems	8,552,000	8,552,000	-	-	-
Justice Information System	4,350,000	2,850,000	1,500,000	-	-
Juvenile Court	1,000,000	1,000,000	-	-	-
Metro Arts Commission	1,600,000	500,000	500,000	300,000	300,000
Metro Development and Housing Agency	295,872,000	116,622,000	96,900,000	54,500,000	27,850,000
Metropolitan Transit Authority	69,034,000	69,034,000	-	-	-
Municipal Auditorium	3,643,000	1,848,000	1,095,000	700,000	-
Nashville Arena	1,475,000	1,415,000	20,000	20,000	20,000
Nashville Electric Service	281,968,000	72,832,000	66,056,000	72,136,000	70,944,000
Parks and Recreation	83,410,000	45,225,000	16,476,000	15,901,000	5,808,000
Planning Commission	1,250,000	1,250,000	-	-	-
Police Department	12,000,000	-	8,800,000	3,200,000	-
Public Defender	315,000	315,000	-	-	-
Public Library Board	39,847,000	25,225,000	3,529,000	6,219,000	4,874,000
Public Works	635,630,000	312,755,000	105,251,000	125,085,000	92,539,000
Sheriff's Department	143,557,000	79,557,000	64,000,000	-	-
Social Services	6,082,000	3,736,000	740,000	966,000	640,000
Tennessee State Fair Board	2,750,000	2,750,000	-	-	-
Water & Sewerage Services	241,830,000	95,280,000	53,015,000	56,533,000	37,002,000
Total G.S.D.	\$ 1,956,750,000	\$ 923,906,000	\$ 431,542,000	\$ 348,600,000	\$ 252,702,000
U.S.D.					
Fire Department	\$ 22,235,000	\$ 11,561,000	\$ 5,355,000	\$ 4,969,000	\$ 350,000
Public Works	181,308,000	71,558,000	37,750,000	36,750,000	35,250,000
Total U.S.D.	\$ 203,543,000	\$ 83,119,000	\$ 43,105,000	\$ 41,719,000	\$ 35,600,000
Board of Education	\$ 544,629,000	\$ 435,780,000	\$ 57,753,000	\$ 29,839,000	\$ 21,257,000
Grand Total	\$ 2,704,922,000	\$ 1,442,805,000	\$ 532,400,000	\$ 420,158,000	\$ 309,559,000

Accounting

Pursuant to the Charter, independent auditors annually audit the financial statements of the Metropolitan Government. The general purpose financial statements and other financial information are prepared in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and with those standards and procedures recommended by the State Comptroller of the Treasury. Copies of the CAFR for the past three years are available through the office of the Director of Finance, Metropolitan Government of Nashville and Davidson County, 106 Metropolitan Courthouse, Nashville, Tennessee 37201.

The Metropolitan Government manages its financial reporting through the use of categories of fund types and account groups. The major fund types and groups are as follows:

The governmental fund types include the General Fund to account for all financial resources not otherwise accounted for; Debt Service Funds to account for the accumulation of resources for, and the payment of, general long-term debt payments; Special Revenue Funds to account for specific revenues designated to finance the operations of the Metropolitan Board of Education and specific revenues to be utilized in carrying out the special terms of statutes, ordinances, grant requirements, or other governing regulations; and Capital Project Funds to account for financial resources used to acquire or construct all major government fixed assets.

The proprietary fund types include Enterprise Funds to account for the operations of self-sustaining agencies rendering services to the general public on a user charge basis and Internal Service Funds to account for the operations of self-sustaining agencies rendering services to other agencies of the Metropolitan Government on a cost reimbursement basis.

The fiduciary fund types include Expendable and Nonexpendable Trust Funds to account for assets held in a fiduciary capacity; Pension Funds to account for assets held in a fiduciary capacity for employees and former employees; and Agency Funds to account for assets held as agents for individuals or agencies.

The account groups include the General Fixed Assets Account Group which accounts for fixed assets used in governmental fund type operations and the General Long-term Debt Account Group which accounts for the principal on all outstanding debt and other long-term obligations, such as compensated absences and unfunded pension costs, except obligations secured by revenues of the Proprietary Funds.

Revenues

The Metropolitan Government derives its revenues from a direct tax levy on real property, sales tax, earned income, fees, and State of Tennessee (the "State") and Federal payments. Property taxes accounted for 40.9% of all revenues available to the GSD General Fund and 79.9% of the USD General Fund during the fiscal year ended June 30, 2001. Sales tax collections totaled \$237.2 million in the fiscal year ended June 30, 2001. A description of each major revenue category available to both the GSD and USD follows:

Property Taxes - The levy is without legal limit. For a discussion of this tax, see "PROPERTY TAXES" herein.

Sales Tax - A local option sales tax is collected at the rate of 2-1/4% on all sales of tangible personal property and certain services, except for sales of certain energy sources and other limited exemptions. This local option sales tax is currently levied, in accordance with State law, only on the first \$1,600 of a transaction.

Other Taxes, Licenses, and Permits - This category includes charges for licenses and permits issued by departments, agencies, boards and commissions of the Metropolitan Government. Also included is the Hotel/Motel Tax which is assessed against the gross receipts of hotels and motels within the Metropolitan Government based on occupancy. Currently, there is a 4% tax levied by Council ordinance with revenues derived from such tax distributed as follows: 3% to the Hotel and Tourism Fund divided equally for tourist promotion, tourist-related activities and the convention center; and 1% to the general fund. Of the 1% distributed to the general fund, \$3.2 million is transferred to debt service for Stadium debt requirements.

Fines, Forfeits and Penalties - This category includes collections of obligations imposed by the courts, law enforcements and agencies charged with the care of prisoners.

Revenue from Use of Money or Property - This category includes interest on investments, rental and commissions for use of Metropolitan Government property or rights.

Revenue from Other Governments, Governmental Agencies and Citizens Groups - Under this revenue category are payments to the Metropolitan Government by other public divisions (Federal, State or other governmental units or agencies) and gifts or donations received from individuals or citizens groups.

Charges for Current Services - These are fees and charges for activities and services provided by agencies of the Metropolitan Government.

Revenues from Enterprise, Utility and Working Capital Funds - These are amounts received from the above types of funds as compensation for services rendered or as contributions.

Other Revenue - Includes (i) commissions and fees collected by certain officials for certain activities of the Metropolitan Government; (ii) proceeds from confiscation of property; (iii) compensation for loss, sale or damage to property; and (iv) miscellaneous.

PROPERTY TAXES

RATES OF TAX LEVY

An annual tax is levied on all taxable property within the GSD and an additional tax is levied on all taxable property within the USD. The following table is a statement of the composition of rates of tax levy for the last ten fiscal years.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
ANALYSIS OF THE COMPOSITION OF RATES OF TAX LEVY
Ten Year Summary

Fiscal Year	General Services District					Urban Services District		
	Total GSD Rate	GSD General Fund	General Purpose School Fund	GSD Debt Service Fund	School Debt Service Fund	Total USD Rate	USD General Fund	USD Debt Service Fund
1992-93	3.48	1.76	1.29	0.43	n/a	1.33	1.18	0.15
1993-94 (1)(2)	3.38	1.83	1.01	0.43	0.11	1.12	0.99	0.13
1994-95	3.38	1.83	1.01	0.43	0.11	1.12	0.99	0.13
1995-96 (3)	3.38	1.79	1.01	0.47	0.11	1.12	1.00	0.12
1996-97	3.38	1.79	1.01	0.47	0.11	1.12	1.00	0.12
1997-98 (4)	3.17	1.59	0.96	0.49	0.13	0.95	0.84	0.11
1998-99 (5)	3.29	1.58	0.96	0.50	0.25	0.95	0.84	0.11
1999-00	3.29	1.58	0.96	0.50	0.25	0.95	0.84	0.11
2000-01	3.29	1.58	0.96	0.50	0.25	0.95	0.84	0.11
2001-02 (6)	3.75	1.88	1.24	0.43	0.20	0.83	0.73	0.10

Tax rates are per \$100 of assessed valuation. Payments may be made in two equal installments, the first not later than October 31st in the year of assessment and levy, the second by February 28th of the following year without penalty.

- (1) In fiscal year 1993-94 the combined GSD-USD tax rate was reduced from \$4.81 to \$3.76 per \$100 of assessed value. Also, the levy for fire protection service was changed from \$.16 to \$.12 per \$100 assessed valuation in fiscal year 1993-94. The reduction in the rates of tax levy between fiscal year 1993 and fiscal year 1994 was the result of a State mandated reappraisal valuation of property in Davidson County. Such rate reduction, when applied against the reappraised valuation of all taxable property, could not result in a material increase in property tax revenues to the Metropolitan Government when compared with the revenues of the immediately preceding fiscal year. Subsequent to the rate reduction for reappraisal the property tax rate was increased to \$4.50.
- (2) Beginning in fiscal year 1993-94 the School Debt Service Fund was included in those funds which receive property tax revenue.
- (3) In fiscal year 1995-96 the GSD and USD property tax rate was reallocated among the funds receiving property tax revenue.
- (4) In fiscal year 1997-98 the combined GSD-USD tax rate was reduced from \$4.50 to \$3.58 per \$100 of assessed value. Also, the levy for fire protection service was changed from \$.12 to \$.10 per \$100 assessed valuation in fiscal year 1997-98. The reduction in the rates of tax levy between fiscal year 1997-98 was the result of a State mandated reappraisal valuation of property in Davidson County. Also, in fiscal year 1997-98 the combined GSD-USD tax rate was increased from \$3.58 to \$4.12 per \$100 of assessed value. The net reduction in the fiscal year 1997-98 GSD-USD tax rate was from \$4.50 to \$4.12.
- (5) In fiscal year 1998-99 the combined GSD-USD tax rate increased \$0.12 per \$100 of assessed value, to be applied toward school debt service. Also \$0.01 was reallocated from GSD General Fund to GSD Debt Service.
- (6) In fiscal year 2001-02 the combined GSD-USD tax rate was reduced from \$4.24 to \$3.70 per \$100 of assessed value. Also, the levy for fire protection service was changed from \$.10 to \$.09 per \$100 assessed valuation in fiscal year 2001-02. The reduction in the rates of tax levy between fiscal year 2001-02 was the result of a State mandated reappraisal valuation of property in Davidson County. Also, in fiscal year 2001-02 the combined GSD-USD tax rate was increased from \$3.70 to \$4.58 per \$100 of assessed value. The net increase in the fiscal year 2001-02 GSD-USD tax rate was from \$4.24 to \$4.58.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
ANALYSIS OF ORIGINAL (INCLUDING SUPPLEMENTAL) ASSESSMENT
OF ALL TAXABLE PROPERTY
Unaudited - See Accompanying Accountants' Report
Ten Year Summary

Fiscal Year	General Services District				USD Total	Urban Services District			Total Estimated Property Value (1)
	GSD Total	Realty	Personalty	Public Utility		Realty	Personalty	Public Utility	
1991-92	\$ 5,974,950,528	\$ 5,206,855,217	\$ 439,579,327	\$ 328,515,984	\$ 4,407,929,531	\$ 3,790,002,819	\$ 348,866,185	\$ 269,060,527	\$ 23,986,047,588
1992-93	6,031,782,580	5,206,574,441	466,910,155	358,297,984	4,438,090,931	3,768,171,088	374,529,094	295,390,749	23,710,812,574
1993-94	7,645,927,094	6,564,860,490	588,900,423	492,166,181	5,536,342,048	4,660,546,128	468,042,087	407,753,833	24,154,889,503
1994-95	7,809,222,537	6,665,738,964	604,633,877	538,849,696	5,542,872,889	4,604,202,408	487,181,673	451,488,808	24,554,554,540
1995-96	7,949,116,583	6,854,887,568	616,396,850	477,832,165	5,567,272,438	4,695,089,938	472,017,573	400,164,927	26,686,385,238
1996-97	8,192,586,699	7,050,026,895	668,743,347	473,816,457	5,691,540,025	4,784,362,948	515,583,782	391,593,295	27,908,069,594
1997-98	10,647,933,789	9,360,046,370	813,501,653	474,385,766	7,303,138,660	6,280,076,965	634,766,710	388,294,985	33,706,470,792
1998-99	10,895,717,859	9,483,759,205	873,944,396	538,014,258	7,491,537,089	6,372,341,408	681,039,272	438,156,409	34,408,511,843
1999-00	11,087,336,546	9,625,554,203	954,014,066	507,768,277	7,579,090,297	6,420,180,086	747,640,155	411,270,056	38,576,009,345
2000-01	11,390,199,691	9,878,827,579	953,834,854	557,537,258	7,752,879,515	6,544,802,327	745,794,683	462,282,505	39,576,025,308
2001-02	13,373,373,440	11,649,748,674	1,059,163,097	664,461,669	9,029,225,021	7,681,717,993	794,416,879	553,090,149	

Assessment date: January 1 (Pick-up assessments and cancellations for each year in minor amounts are not reflected in above figures)

Tax Levy: General Services District tax is levied on the entire Metropolitan area. Urban Services District tax is an additional tax levied on properties within the Urban Services District. Personalty and public utilities taxes are levied on September 1st of each year, based upon assessed valuation at January 1st of that year. Real property taxes are levied on September 1st of each year, based upon assessed valuation through January 1st of that year. In addition, for the period January 1st through September 1st, supplemental assessments are made and related taxes are levied for improved, demolished or damaged property during such period, in accordance with T.C.A. Section 67-607.

Ratio of assessed value
to appraised value: Commercial and industrial properties - 40% for real property and 30% for tangible personal property
Farm and residential properties - 25%
Public utilities - 55%

(1) Source: Tax Aggregate Reports for Tennessee State Board of Equalization

State law exempts from property taxes any property (i) owned by the Federal, State, or local government and used exclusively for public, county, or municipal purposes or (ii) which purely and exclusively is used for religious, scientific, non-profit educational or charitable purposes. Currently in Nashville, there are approximately 5,513 tax-exempt parcels. For the current fiscal year, the excluded properties of the Electric Power Board of the Metropolitan Government amounted to an assessed valuation of \$473,501,262 and the exempt properties of the Industrial Development Board of the Metropolitan Government amounted to an assessed valuation of \$36,038,200 for which a tax equivalent was paid by both to the Metropolitan Government on the basis of the actual rates of tax levy.

State law requires a complete reappraisal of all property in the State except those properties centrally assessed by the State such as utilities and railroads. Beginning in 1993, reappraisals have been done on a four year cycle in Davidson County in accordance with State law. Under this plan there were reappraisals in 1993, 1997, and in 2001. The 2001 values will be in place until completion of the 2005 reappraisal. Those values will be published in the spring of 2005 and will reflect current market values.

Tax Collection

Personalty and public utility taxes are levied each year based upon assessed valuation at January 1 of that year. Real property taxes are levied each year based upon assessed valuation at January 1 of that year. In addition, for the period January 1 through September 1, supplemental assessments of real property taxes are made and related taxes are levied for improved, demolished or damaged property during such period, in accordance with State law.

Property taxes may be paid in installments without penalty, as long as the total tax is paid by February 28 of the following year.

On March 1 of the calendar year following the levy, taxes become delinquent and a penalty of 1/2 of 1% is assessed. Interest on outstanding obligations is assessed at a rate of 1% per month. The Trustee is designated as the collection official for delinquent property taxes, tax equivalents, and merchant's ad valorem taxes. Property taxes which become twelve months delinquent are transferred to the custody of the Department of Law Division of Tax Litigation for collection through Chancery Court action. The following table is a summary of the tax levies and collections of the last ten fiscal years.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
ANALYSIS OF TAX LEVIES AND COLLECTIONS
Unaudited - See Accompanying Accountants' Report
Ten Year Summary

Fiscal Year	Amount GSD Levy	Amount USD Levy	Total Tax Levied	Uncollected at End of the Fiscal Year	Percentage Uncollected
1991-92	\$ 210,435,612	\$ 58,625,501	\$ 269,061,113	\$ 17,084,608	6.35 %
1992-93	212,456,040	59,026,648	271,482,688	13,343,925	4.92
1993-94	261,672,066	62,007,102	323,679,168	15,115,451	4.67
1994-95	266,673,700	62,080,249	328,753,949	9,983,997	3.04
1995-96	271,538,720	62,353,526	333,892,246	9,577,285	2.87
1996-97	279,911,056	63,745,322	343,656,378	10,220,782	2.97
1997-98	340,884,594	69,379,882	410,264,476	14,191,035	3.46
1998-99	361,873,598	71,169,667	433,043,265	15,815,445	3.65
1999-00	368,281,927	72,001,424	440,283,351	15,885,751	3.61
2000-01	378,375,194	73,652,420	452,027,614	15,936,299	3.50

The following table shows the status of the property taxes remaining to be collected at June 30, 2001.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
SCHEDULE OF DELINQUENT PROPERTY TAXES RECEIVABLE - BY TYPE
June 30, 2001

	Year of Levy	Realty	Personalty	Public Utility	Total
General Services District	2000	\$ 10,111,808	\$ 2,334,005	\$ 749,166	\$ 13,194,979
	1999	1,500,152	891,786	778,218	3,170,156
	1998	451,535	180,973	915,112	1,547,620
	1997	253,868	126,551	69,505	449,924
	1996	132,027	391,907	59,205	583,139
	1995	94,989	435,634	39,651	570,274
	1994	91,838	177,690	14,181	283,709
	1993	59,321	359,796	32,412	451,529
	1992	90,223	417,158	61,715	569,096
	1991	51,084	452,585	50,643	554,312
	1990	44,171	515,743	51,993	611,907
Total General Services District		<u>12,881,016</u>	<u>6,283,828</u>	<u>2,821,801</u>	<u>21,986,645</u>
Urban Services District	2000	1,982,710	577,093	181,517	2,741,320
	1999	327,419	222,430	194,099	743,948
	1998	115,807	106,810	223,660	446,277
	1997	71,480	77,043	13,328	161,851
	1996	38,365	113,524	13,227	165,116
	1995	29,527	134,110	8,995	172,632
	1994	28,484	297,514	4,219	330,217
	1993	18,386	100,099	10,042	128,527
	1992	33,508	137,991	22,375	193,874
	1991	12,325	145,516	18,764	176,605
	1990	16,028	164,125	14,390	194,543
Total Urban Services District		<u>2,674,039</u>	<u>2,076,255</u>	<u>704,616</u>	<u>5,454,910</u>
Total Delinquent Property Taxes Receivable		<u>\$ 15,555,055</u>	<u>\$ 8,360,083</u>	<u>\$ 3,526,417</u>	<u>\$ 27,441,555</u>

PRINCIPAL TAXPAYERS

The following table presents information concerning the principal taxpayers of the Metropolitan Government.

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

PRINCIPAL TAXPAYERS

Unaudited - See Accompanying Accountants' Report

December 31, 2000

Taxpayer	Type of Business	2000 Assessed Valuation	% of Total 2000 Assessed Valuation	Amount of Tax	% of Total Levy
Electric Power Board	Utility	\$ N/A	N/A %	\$ 14,099,152	3.12 %
Gaylord	Music, Entertainment and Hotel	353,920,000	3.11	9,984,967	2.21
BellSouth	Communications	167,542,384	1.47	6,899,987	1.53
Columbia/HCA	Health Facilities Management	113,433,133	1.00	3,773,372	0.83
CBL & Associates	Mall Management	82,841,880	0.73	3,162,271	0.70
PREFCO XIV Ltd.	Communications	58,415,390	0.51	2,535,445	0.56
Piedmont Natural Gas Company	Utility	81,058,944	0.71	2,335,713	0.52
Ford Motor Co	Glass Plant	40,909,450	0.36	1,734,561	0.38
E.I Dupont De Nemours and Company	Manufacturing Textile Mill Products	52,363,360	0.46	1,644,878	0.36
SunTrust Bank	Financial	35,951,379	0.32	1,557,635	0.34
		<u>\$ 986,435,920</u>	<u>8.67 %</u>	<u>\$ 47,727,981</u>	<u>10.55 %</u>

THE METROPOLITAN GOVERNMENT OF
NASHVILLE AND DAVIDSON COUNTY, TENNESSEE
GENERAL FUND
AUDITED
FIVE YEAR SUMMARY OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

	Years Ended June 30				
	2001	2000	1999	1998	1997
REVENUES:					
Property taxes	\$ 266,534,541	\$ 255,958,467	\$ 250,095,609	\$ 245,392,041	\$ 217,934,679
Local option sales tax	78,323,804	78,072,027	74,452,947	72,214,977	70,270,730
Licenses and permits	78,457,620	77,221,770	73,304,945	68,547,321	66,576,576
Fines, forfeits and penalties	9,886,470	11,623,769	11,382,032	10,734,283	9,177,892
Revenue from use of money of property	2,634,827	2,435,785	3,960,366	2,790,543	3,489,548
Revenue from other governmental agencies	93,730,534	96,819,242	98,164,129	93,885,607	85,724,966
Commissions and fees	13,516,675	13,756,439	14,577,828	14,416,683	13,250,103
Charges for current services	19,681,031	18,924,947	18,433,071	18,304,523	20,017,505
Compensation for loss, sale or damage to property	1,313,367	1,301,870	1,800,520	1,119,673	228,504
Contributions and gifts	844,515	720,840	-	-	-
Miscellaneous	774,285	1,580,231	1,731,687	1,284,012	1,295,352
Total Revenues	<u>565,697,669</u>	<u>558,415,387</u>	<u>547,903,134</u>	<u>528,689,663</u>	<u>487,965,855</u>
EXPENDITURES					
General Government	23,780,866	23,575,104	24,269,182	22,913,073	22,867,859
Fiscal Administration	17,128,581	15,835,754	18,309,022	15,574,998	14,785,153
Administration of Justice	39,377,240	41,327,826	39,563,106	36,313,336	34,575,945
Law enforcement and care of prisoners	140,935,478	140,897,348	147,489,469	139,199,642	129,158,087
Fire prevention and control	67,145,761	68,744,162	68,780,838	67,462,700	64,118,707
Regulation and inspection	5,890,959	6,211,955	6,849,852	6,186,478	6,025,183
Conservation of natural resources	354,787	300,301	292,287	277,869	247,155
Public welfare	12,758,996	16,941,661	16,519,502	15,535,398	12,322,659
Public health	28,794,563	27,810,992	27,388,492	27,713,999	26,146,411
Public library system	11,815,438	10,275,471	9,882,149	10,335,377	10,484,299
Public works, highway, and street	30,886,707	32,731,146	36,271,472	43,575,786	34,794,575
Recreational and cultural	27,826,667	27,751,742	27,709,921	27,510,024	27,532,832
Employee benefits	44,796,706	43,186,268	41,326,087	41,318,534	39,917,068
Miscellaneous	12,533,657	10,979,389	5,821,492	6,569,187	3,043,599
Total Expenditures	<u>464,026,406</u>	<u>466,569,119</u>	<u>470,472,871</u>	<u>460,486,401</u>	<u>426,019,532</u>
Excess (Deficiency) of revenues over expenditures	<u>101,671,263</u>	<u>91,846,268</u>	<u>77,430,263</u>	<u>68,203,262</u>	<u>61,946,323</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers in	7,517,128	10,338,000	9,961,239	7,818,691	19,456,336
Operating transfers out	(47,882,027)	(45,459,934)	(41,484,572)	(77,868,859)	(73,698,043)
Operating transfers from component units	501,200	532,851	1,721,614	1,478,345	1,657,494
Operating transfers to component units	(51,098,967)	(48,244,784)	(48,054,652)	(12,358,412)	(10,972,962)
Total Other Financing Sources (Uses)	<u>(90,962,666)</u>	<u>(82,833,867)</u>	<u>(77,856,371)</u>	<u>(80,930,235)</u>	<u>(63,557,175)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	10,708,597	9,012,401	(426,108)	(12,726,973)	(1,610,852)
FUND BALANCE, beginning of year, restated*	88,195,572	57,969,671	58,395,779	71,017,606	72,628,458
EQUITY TRANSFER	1,146,485	90,652	-	105,146	-
FUND BALANCE, end of year	<u>\$ 100,050,654</u>	<u>\$ 67,072,724</u>	<u>\$ 57,969,671</u>	<u>\$ 58,395,779</u>	<u>\$ 71,017,606</u>

* For fiscal year 2001, beginning fund balance was restated due to GASB 33, Accounting and Reporting for Non-exchange Transactions.

THE METROPOLITAN GOVERNMENT OF
NASHVILLE AND DAVIDSON COUNTY, TENNESSEE
Special Revenue Funds

AUDITED

FIVE YEAR SUMMARY OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

	Years Ended June				
	2001	2000	1999	1998	1997
REVENUES:					
Property taxes	\$ 111,206,690	\$ 110,610,784	\$ 109,211,904	\$ 109,191,849	\$ 92,545,514
Local option sales tax	141,948,976	142,681,260	135,799,771	133,049,822	128,289,580
Other taxes, licenses and permits	19,239,743	34,764,271	26,395,401	37,120,550	48,740,368
Fines and costs	2,859,655	4,289,185	3,370,377	2,788,968	1,296,185
Revenue from the use of money or property	5,113,227	5,486,721	4,801,730	5,686,676	5,533,905
Revenue from other governmental agencies	214,255,669	203,788,422	231,550,400	211,479,510	180,768,311
Charges for current services	27,514,419	30,896,363	28,404,978	28,422,781	27,903,161
Compensation for loss, sale or damage to property	1,507,523	753,891	1,104,051	1,324,765	1,323,557
Grants, contributions and gifts	8,605,279	8,563,416	7,213,169	6,694,816	5,638,342
Miscellaneous	79,984	36,895	11,573	163,163	19,033
Total revenues	532,331,165	541,871,208	547,863,354	535,922,900	492,057,956
EXPENDITURES					
Schools:					
Administration	9,713,025	9,341,101	5,558,170	5,591,481	5,719,626
Instruction	339,942,525	335,771,893	325,306,262	325,797,548	299,592,010
Attendance service	2,460,845	2,464,394	2,261,989	2,162,067	2,081,420
Pupil transportation	19,827,681	19,460,950	19,194,088	16,775,325	15,298,628
Plant operations	40,097,147	37,291,061	37,007,885	36,747,017	35,305,961
Plant maintenance	11,123,039	11,063,603	11,185,255	11,057,404	10,983,530
Fixed charges	7,713,085	7,067,785	10,875,346	6,391,610	5,586,494
Community services	3,334,699	2,637,794	2,895,057	2,649,256	2,645,299
Services and supplies	24,471,645	24,597,053	23,365,179	22,750,444	25,734,657
Capital outlay	3,145,621	3,693,897	5,553,325	3,790,646	1,584,062
Other funds:					
Personal services	21,451,687	21,308,259	14,842,520	13,298,925	12,200,768
Contractual services	37,117,519	38,483,935	37,478,633	25,292,617	44,074,526
Supplies and materials	12,230,354	6,790,803	4,960,751	2,105,332	3,620,929
Other	2,729,048	3,146,329	4,360,511	26,418,198	9,099,153
Educational programs	544,731	192,163	876,949	-	-
Capital outlay	6,202,663	11,521,825	62,555,462	24,947,572	12,228,719
Total Expenditures	542,105,314	534,832,845	568,277,382	525,775,442	485,755,782
Excess (Deficiency) of revenues over expenditures	(9,774,149)	7,038,363	(20,414,028)	10,147,458	6,302,174
OTHER FINANCING SOURCES (USES)					
Operating transfers in	45,110,728	49,257,526	38,872,726	34,874,333	32,549,314
Operating transfers out	(15,753,623)	(27,357,587)	(25,745,239)	(22,821,576)	(20,072,215)
Operating transfers from component units	439,796	870,911	285,493	1,148,897	1,153,092
Operating transfers to component units	(12,806,383)	(9,653,874)	(9,012,770)	(9,630,781)	(7,627,649)
Total Other Financing Sources (Uses)	16,990,518	13,116,976	4,400,210	3,570,873	6,002,542
Excess (deficiency) of revenues and other sources over expenditures and other uses	7,216,369	20,155,339	(16,013,818)	13,718,331	12,304,716
FUND BALANCE, beginning of year (restated)*	109,968,273	100,677,848	121,010,530	107,292,199	94,987,483
EQUITY TRANSFER	(10,172)	(1,177,371)	(4,334,478)	-	-
FUND BALANCE, end of year	\$ 117,174,470	\$ 119,655,816	\$ 100,662,234	\$ 121,010,530	\$ 107,292,199

* For fiscal year 2000, a prior period audit adjustment in the School Activity Fund restated total special revenue funds' balance as of June 30, 1999 by \$15,614.

For fiscal year 2001, beginning fund balance was restated due to GASB 33, Accounting and Reporting for Non-exchange Transactions.

THE METROPOLITAN GOVERNMENT OF
NASHVILLE AND DAVIDSON COUNTY, TENNESSEE
Debt Service Funds (1) (2)
AUDITED
FIVE YEAR SUMMARY OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

	Years Ended June 30				
	2001	2000	1999	1998	1997
REVENUES:					
Property taxes	\$ 93,121,235	\$ 89,467,041	\$ 87,689,394	\$ 71,409,284	\$ 52,949,248
Local option sales tax	16,930,017	16,439,343	14,745,540	11,886,519	13,239,527
Commissions and fees	897,489	50,000	-	-	-
Revenue from use of money of property	5,892,842	5,651,070	4,436,985	4,830,017	3,963,604
Revenue from other governmental agencies	3,878,324	4,171,045	4,113,196	2,255,149	827,619
Compensation for loss, sale or damage to property	1,500,050	-	-	19,000	-
Total Revenues	122,219,957	115,778,499	110,985,115	90,399,969	70,979,998
EXPENDITURES					
Principal retirement	56,825,000	51,925,000	51,530,000	46,990,000	39,235,000
Interest	49,834,336	59,563,984	53,182,744	49,423,775	45,005,772
Fiscal charges	457,179	427,424	28,286	40,309	178,953
Refunding bond issue costs	-	-	91,252	847,014	211,036
Total Expenditures	107,116,515	111,916,408	104,832,282	97,301,098	84,630,761
Excess (Deficiency) of revenues over expenditures	15,103,442	3,862,091	6,152,833	(6,901,129)	(13,650,763)
OTHER FINANCING SOURCES (USES)					
Proceeds of refunding bonds, net of discount	73,745,000	-	7,355,000	110,990,000	34,305,000
Payments to refunded bond escrow agent	(77,885,410)	-	(7,377,668)	(107,695,881)	(35,707,001)
Bond issue premium (discount)	4,620,921	-	56,061	(2,574,747)	1,719,439
Operating transfers in	17,020,103	18,901,002	21,828,096	21,282,435	19,354,481
Operating transfers out	(2,320,000)	(9,746,801)	(5,203,181)	(5,900,000)	(3,645,206)
Operating transfers from component units	2,800,000	4,200,000	4,200,000	-	-
Operating transfers to component units	(1,247,645)	(1,149,228)	(1,235,223)	-	-
Total Other Financing Sources (Uses)	16,732,969	12,204,973	19,623,085	16,101,807	16,026,713
Excess (deficiency) of revenues and other sources over expenditures and other uses	31,836,411	16,067,064	25,775,918	9,200,678	2,375,950
FUND BALANCE, beginning of year	125,469,631	111,670,929	85,626,497	76,412,874	74,036,924
EQUITY TRANSFER	4,513,496	7,937,061	268,514	12,945	-
FUND BALANCE, end of year	\$ 161,819,538	\$ 135,675,054	\$ 111,670,929	\$ 85,626,497	\$ 76,412,874

(1) Includes the Correctional Facility Revenue Bonds.

(2) FY 1997 through 2000 included Sports Authority Stadium Revenue Bonds and Sports Authority Arena Revenue Bonds. In FY 2001, the Sports Authority was reclassified from a blended component unit to a discretely presented component unit.

COMPUTATION OF NET GENERAL OBLIGATION DEBT

June 30, 2001

See Accompanying Accountant's Report

Gross General Obligation Debt		
General Obligation Bonds Payable		
General Services District:		
For School Purposes	\$ 421,890,712	
For General Purposes	717,305,524	
Urban Services District:		
For General Purposes	<u>57,123,764</u>	
Total Gross General Obligation Debt		\$ 1,196,320,000
Less:		
Amounts available in debt service funds		
General Services District:		
For School Purposes	\$ 77,264,207	
For General Purposes	68,222,587	
Urban Services District:		
For General Purposes	<u>10,914,932</u>	
Total amounts available in debt service funds (1)		156,401,726
Debt payable from other sources		
Hotel Occupancy Tax (1)		
Convention Center Project		
G.O. Refunding Bonds of 1993	\$ 21,815,741	
G.O. Multi-Purpose Improvement Bonds, Series 1997A	<u>5,123,243</u>	
Total debt payable from other sources		<u>26,938,984</u>
Net General Obligation Debt		<u>\$ 1,012,979,290</u>

(1) Excludes the Correction Facility revenue bonds.

DEBT RATIOS (1)
AS OF JUNE 30, 2001
See Accompanying Accountant's Report

Total Debt		3.02	%
Debt to Estimated Market Value		10.50	%
Debt to Assessed Value	\$	2,076.94	

Net Debt			
Debt to Estimated Market Value		2.56	%
Debt to Assessed Value		8.89	%
Debt per Capita	\$	1,758.64	

(1) The above table is based upon:			
Estimated Market Value	\$	39,576,025,318	(2000 Estimated market value)
Assessed Value	\$	11,390,199,691	(2000 assessed value)
Population		576,000	(2000)

CALCULATION OF SELF-SUPPORTING DEBT

Hotel Occupancy Tax:

	As of June 30, 1996
Convention Center Project (2	
G.O. Refunding Bonds of 1993	\$ 21,815,741
G.O. Refunding Bonds of 1997A	5,123,243
	<u>\$ 26,938,984</u>

- (1) Source: Projected based on existing population and growth rates.
- (2) General Improvement bonds represent outstanding general obligation bonds issued for the convention center, the debt service payments on which are reimbursed from the hotel-motel room occupancy tax.
- (3) Water and Sewer bonds represent outstanding general obligation bonds of the Metropolitan Government, the debt service payments on which are reimbursed by the Water and Sewage Services Department.

Historical Debt Ratios

The following table illustrates certain debt ratios for the past ten fiscal years.

RATIO OF NET GENERAL OBLIGATION DEBT TO ASSESSED VALUE AND NET DEBT PER CAPITA

Ten Year Summary
See Accompanying Accountant's Report

Fiscal Year Ending June 30	Population (1)	Assessed Valuation (in thousands)	Gross Debt	Debt Service Monies Available	Debt Payable From Sources Other Than Property Taxes	Net Debt	Ratio of Net Debt to Assessed Valua- tion	Net Debt Per Capita
1992	516,000	\$ 5,974,950	\$ 499,840,219	\$ 66,756,578	\$ 49,043,316	\$ 384,040,325	6.43 %	\$ 744.26
1993	520,000	6,031,782	503,341,423	64,099,430	46,571,371	392,670,622	6.51	755.14
1994	523,000	7,645,927	473,283,540	77,566,919	43,981,255	351,735,366	4.60	672.53
1995	525,700	7,809,223	693,075,000	68,292,173	41,294,896	583,487,931	7.47	1,109.93
1996	530,000	7,949,117	733,955,000	70,330,323	40,711,969	622,912,708	7.84	1,175.31
1997	536,700	8,192,587	792,420,000	70,552,736	36,978,998	684,888,266	8.36	1,276.11
1998	538,800	10,647,934	908,095,000	79,899,351	39,815,699	788,379,950	7.40	1,463.21
1999	541,500	10,895,718	1,038,960,000	103,509,799	35,728,961	899,721,240	8.26	1,661.54
2000	539,500	11,087,336	989,705,000	120,991,318	31,507,203	837,206,479	7.55	1,551.82
2001	576,000	11,390,200	1,196,320,000	156,401,726	26,938,984	1,012,979,290	8.89	1,758.64

(1) Source: Population for 1991-99 provided by Nashville Area Chamber of Commerce end of calendar year estimates.
2001 population projection based on existing population and growth rates.

The following table sets forth annual debt service requirements by district of the Metropolitan Government on outstanding general obligation notes and bonds (excluding this issue) secured by ad valorem taxes.

Total Debt Service as of June 30, 2001				
Secured by Ad Valorem Taxes				
Year Ending 30-Jun	GSD		USD	Total GSD and USD
	School Purposes	General Purposes	General Purposes	
2002	\$ 44,742,269	\$ 77,698,885	\$ 8,599,112	\$ 131,040,266
2003	43,349,232	76,359,036	8,317,258	128,025,526
2004	43,340,144	75,436,963	8,303,268	127,080,375
2005	42,549,961	75,003,548	8,175,127	125,728,636
2006	41,391,228	74,967,432	8,153,327	124,511,987
2007	38,127,916	62,030,876	5,068,735	105,227,527
2008	36,027,759	59,013,971	4,551,962	99,593,692
2009	33,341,751	52,208,152	4,190,571	89,740,474
2010	31,013,027	50,708,372	4,193,955	85,915,354
2011	29,845,325	49,240,314	3,607,342	82,692,981
2012	28,650,036	42,877,697	2,639,875	74,167,608
2013	27,478,317	41,367,044	2,638,850	71,484,211
2014	26,314,857	40,601,966	2,054,900	68,971,723
2015	25,151,023	39,836,382	2,053,763	67,041,168
2016	23,989,097	38,340,105	1,758,338	64,087,540
2017	22,825,932	37,568,405	1,464,188	61,858,525
2018	21,364,810	30,382,401	-	51,747,211
2019	21,338,771	26,691,471	-	48,030,242
2020	14,357,073	26,679,588	-	41,036,661
2021	10,272,736	23,573,857	-	33,846,593
2022	10,281,095	22,852,826	-	33,133,921
2023	10,287,787	22,850,854	-	33,138,641
2024	10,293,953	22,849,198	-	33,143,151
2025	10,303,361	22,850,423	-	33,153,784
2026	1,957,808	13,092,792	-	15,050,600
2027	1,953,446	7,782,495	-	9,735,941
2028	1,946,936	7,771,311	-	9,718,247
2029	-	5,531,981	-	5,531,981
2030	-	5,526,356	-	5,526,356
	<u>\$ 652,495,650</u>	<u>\$ 1,131,694,701</u>	<u>\$ 75,770,571</u>	<u>\$ 1,859,960,922</u>

INVESTMENT POLICY

Metro Council has approved a comprehensive Investment Policy governing the overall administration and investment management of those funds held in the Short-Term Investment Portfolio. The policy applies to all short-term financial assets of Metro from the time of receipt until the time the funds ultimately leave Metro accounts. These assets include, but are not limited to, all operating funds, bond funds, debt service reserve funds, water and sewer funds, Urban Services District and General Services District funds, those pension monies not yet allocated to money managers, all float and certain school funds.

The Short-Term Investment Portfolio of the Metropolitan Government is managed to accomplish the following hierarchy of objectives:

- 1) Preservation of principal
- 2) Maintenance of liquidity
- 3) Maximize returns

The Investment Committee meets at least quarterly to review the position of the portfolio and to discuss investment strategies. The Committee reviews investment policy and procedures at least once each year. The Metropolitan Treasurer is responsible for the investment process, carries out the daily operational requirements, and maintains written administrative procedures for the operation of the investment program that are consistent with the Investment Policy.

The Metropolitan Investment Pool has been established to meet investment objectives in the most cost-effective way. The pool is managed in a way that allows it to maintain a constant net asset value of \$1.00. The average maturity of the portfolio is monitored and managed so that changing interest rates will cause only minimal deviations in the net asset value. All payments and receipts of income on pool investments are allocated on a pro rata basis among the accounts invested in the pool on the daily invested balance in each fund. Earnings are calculated and distributed on a monthly basis.

MASS TRANSIT EXPENDITURES

In 1973, the Metropolitan Government acquired the net assets of the Nashville Transit Company and the Metropolitan Transit Authority was established. The revenues derived from the transit system are not sufficient to pay the expenses incurred in the operation of the system. The Metropolitan Government and the State of Tennessee contributed in the fiscal year ending June 30, 2001, approximately \$8.08 million and \$3.0 million respectively, to pay approximately 40% of the authority's operating expenses. The State directs revenues from a two cents per gallon gasoline tax which it imposes on local governments that may be applied to mass transit. The contribution of the Metropolitan Government was paid from its general revenues. The Metropolitan Government, and the State and Federal Governments, through grants have spent approximately \$54,752,711 to date on improvements of the transit system since 1973.

NASHVILLE THERMAL TRANSFER CORPORATION

The Nashville Thermal Transfer Corporation (the "Corporation") is a not-for-profit corporation incorporated under the laws of the State of Tennessee to construct and operate a solid waste incineration and heat recovery facility in downtown Nashville. The facility was designed to dispose of solid waste for the Metropolitan Government, and provide heating and cooling services for the Metropolitan Government, the State and various commercial users for their buildings in downtown Nashville.

As of June 30, 2001, the Corporation had \$65,890,000 of revenue bonds outstanding. While the Corporation has implemented several refinancings on a portion of these revenue bonds, the original proceeds of these revenue bonds funded the construction of the facility, certain capital improvements, and, in 1997, a pollution control retrofit. All of the bonds currently outstanding are secured by revenues of the Corporation and payments made by the Metropolitan Government under the Acquisition and Operating Agreement (the "Agreement"), between the Corporation and the Metropolitan Government. Although the full faith and credit of the Metropolitan Government and the right to exercise the ad valorem taxing power of the Metropolitan Government is not pledged under the Agreement, the Metropolitan Government is contractually obligated to make certain payments to the Corporation under the Agreement. The payments are calculated such that the Corporation has sufficient revenues to meet all operating expenses, debt service associated with operating the facility, and repairs, replacements and rehabilitation to equipment. The estimated annual liability of the Metropolitan Government is \$13.0 million for Fiscal Year 2002. This annual liability, however, may be adjusted, up or down, depending on the operating revenues received by the Corporation.

Disposal fees payable to the Metropolitan Government have declined since 1997 in response to a Federal Appeals Court ruling which made it unconstitutional to direct commercial solid waste haulers to the facility. Consequently, Mayor Bill Purcell has devised a Waste Management Plan for the Metropolitan Government that will increase recycling rates and end the city's reliance on the Thermal Transfer Plant in two years. The plan calls for an increase in the amount of waste recycled by the constituents from eight percent to twenty-five percent within the next four years. It also would establish a household recycling program for the 120,000 homes in the Urban Services District. Under the plan, the Metropolitan Government has entered into a long-term contract for the disposal of solid waste starting in Fiscal Year 2002. The thermal transfer plant would cease to be a disposal option on October 1, 2002 under the terms of an air pollution permit compliance plan with the Metropolitan Government, executed in March 2002. Heating and cooling to downtown buildings would be converted to use electricity and natural gas as its primary fuels in a new energy generation facility planned to start operations in April 2004. Between October 1, 2002 and April 2004, or at such time the new energy generation facility is operational, the thermal transfer plant will rely upon natural gas as its primary fuel and add generation capacity with temporary boilers planned for installation in May 2002. The plan has been approved by the Metropolitan Government.

THE SPORTS AUTHORITY OF THE METROPOLITAN GOVERNMENT

The Sports Authority of the Metropolitan Government of Nashville and Davidson County (the "Authority") is a public non-profit corporation and instrumentality of the Metropolitan Government organized in 1995 pursuant to Chapter 67, Title 7 of Tennessee Code Annotated, as amended. The purpose of the Authority is to plan, promote, finance, construct, and acquire sports complexes, stadiums, arenas, and facilities for public participation and enjoyment of professional and amateur sports activities for the people in the State of Tennessee. The Authority has no taxing power.

The Authority, on behalf of the Metropolitan Government, issued revenue bonds in 1996 and 1998 to assist in the funding of certain sports projects. The proceeds of the Series 1996 Bonds were used for a portion of the construction of the Coliseum for the National Football League's Tennessee Titans and Tennessee State University, while the Series 1998 Bonds were issued to fund a portion of the franchise payment to the National Hockey League ("NHL") for the NHL's Nashville Predators. These bond issues were primarily funded with new, dedicated revenue streams (consisting of a payment in lieu of tax from the Water and Sewerage Department, parking revenues, lease payments from Tennessee State University and a ticket surcharge at the Gaylord Entertainment Center). However, a portion of the debt service as well as any deficiencies from the other pledged revenue streams are backed by a pledge of certain of the Metropolitan Government's non-tax General Fund revenues. The annual debt service for these bond issues is approximately \$7.4 million through 2018 and approximately \$5.5 million thereafter until 2026.

PENSION PLANS

There are currently eight pension plans covering employees of the Metropolitan Government and the Metropolitan Board of Education ("MBE"). Two of these plans, the Metropolitan Employees' Benefit Trust Fund and the Metropolitan Board of Education Teachers' Retirement Plan Fund, were created upon the adoption of the metropolitan form of government on April 1, 1963 (the "Metropolitan Plans"). All certified employees of the MBE hired since July 1, 1969, are covered under the Tennessee Consolidated Retirement System.

Under the Charter, the Metropolitan Plans are required to be actuarially sound. The Metropolitan Plans are to be funded by annual contributions of employees and employers under the Metropolitan Plans. The contributions of the Metropolitan Government to the Metropolitan Employees' Benefit Trust Fund are determined as a percentage of the aggregate payroll of the participating employees. The Metropolitan Government has no liability for any benefits under the Tennessee Consolidated Retirement System, which is funded solely by employees and State contributions.

On January 1, 1996, Government employees in the Metro plan had the option to participate in a modified version of the currently effective retirement and disability programs. Of the approximately 11,300 metro employees, 5% elected to stay with the old pension plan (Division A) and 95% elected to enroll in the new pension plan (Division B). All benefits under Division A & B are being funded actuarially according to generally accepted accounting principles.

Contributions to the Metropolitan Board of Education Teachers' Retirement Plan Fund, a closed plan of the Metropolitan Government, are made by the MBE and the employees. To meet its obligations to fund future benefits of this plan in excess of plan assets, the MBE contributes a percentage of payroll determined by an annual actuarial valuation.

The remaining five pension plans were formerly administered by the City of Nashville and of Davidson County and were closed to participation on April 1, 1963 (the "Closed Plans"). The Closed Plans include the Civil Service Employee's Pension Fund, The Police and Firemen Pension Fund, The Teachers' Civil Service and Pension Fund, The Davidson County Employees' Retirement Fund, and The Employees Pension and Insurance Fund. Prior to July 1, 2000, the Closed Plans were funded on a pay-as-you-go basis. The difference between the revenue of these funds and benefit expenditures was paid by the Metropolitan Government out of operating budgets of the USD for the former City of Nashville plans and/or the GSD for the former Davidson County plans.

In August 2000, the Government adopted a Guaranteed Payment Plan (GPP) to fund the obligations of the Closed Plans ("superseded systems") on an actuarially sound basis. Under the GPP the unfunded accrued liabilities and other funding obligations of the Closed Plans, including any benefit improvements granted by the superseded systems, are determined in a manner so as to amortize the same over a period not to exceed thirty (30) years from July 1, 2000. Appropriations made by the Metro Council to fund the obligations of the superseded systems shall not be reduced for any year until all of the pension obligations of the superseded systems are fully amortized.

The Metropolitan Board of Education is also required to fund in its annual budget the actuarial contribution attributable to the aggregate benefits of all teachers covered under its superseded systems. The amounts required to fund such actuarial contributions shall be set forth in the annual budget adopted by the Metro Council.

All funds appropriated for funding obligations of the superseded systems are directly transferred to the GPP. From the GPP the Government transfers such amounts as needed to each respective superseded system in such amounts required to ensure full amortization of all liabilities.

In prior years, cost-of-living benefits under the Metropolitan Plans were funded on a pay-as-you-go basis, which resulted in lower contributions to the plans than were called for under generally accepted accounting principles. To reflect this shortfall and the fact that the Closed Plans were being funded on a pay-as-you-go basis, a liability was set up in the General Long-term Debt Account Group. Now that the Metropolitan Plans are being funded actuarially (taking into account prior shortfalls) and the Closed Plans are declining in importance, the liability established in prior years is declining rapidly.

The following summary states (in thousands) the unfunded pension benefit obligation (as defined in Statement No. 5 of the Government Accounting Standards Board) for all of the following plans as of the most recent actuarial valuations.

	(In Thousands of Dollars)
City County Plans (as of June 30, 2001)	
The Metropolitan Employees' Benefit Trust Fund	\$ (32,905)
The Davidson County Employees' Retirement Fund	\$ (10,350)
The Civil Service Employees' Pension and Police and Firemen Pension Funds	\$ (12,970)

City County Plans reported as shown in CAFR at June 30, 2001.

Board of Education Plans (as of June 30, 2001)

The Teachers' Civil Service and Pension Fund (Nashville City Teachers)	\$ (4,932)
The Employees' Pension and Insurance Fund (Davidson County)	3,000
The Metropolitan Board of Education Teachers' Retirement Fund	43,324

Board of Education reported as shown in CAFR at June 30, 2001.

It is expected that the aggregate contributions required for the pension plans, as a percentage of the total covered payroll, will remain relatively level. Information on the actuarial valuations for each pension plan is given in the notes to the general purpose financial statements attached hereto as Appendix A.

PUBLIC EMPLOYEES' REPRESENTATION

As of June 30, 2001, the Metropolitan Government and Metropolitan Board of Education employed approximately 20,000 persons of whom approximately 10,500 worked full-time for the MBE. Appropriately 94% of the sworn personnel of the Fire Department are members of Local No. 763 of the International Association of Firefighters, and approximately 84% of the sworn personnel of the Police Department are members of the Fraternal Order of Police. Approximately 12% of the remaining non-teaching employees are members of the Service Employees International Union. Approximately 52% of the teaching employees are members of the Metropolitan Nashville Education Association (the "MNEA").

The MBE is a party to a Memorandum of Understanding with the MNEA which is renewed annually. The Metropolitan Government confers on an informal basis with representatives of employee unions mentioned above concerning employees' working conditions within their respective departments.

With the exception of school teachers covered specifically by the Education Professional Negotiation Act which provides for memoranda of understanding, the State does not recognize collective bargaining agreements between municipalities and their employees. The State courts have ruled that collective bargaining between municipalities and their employees are void and of no effect because they are contrary to public policy. The State Courts have also ruled that strikes by municipal employees are illegal and subject to injunction.

ECONOMIC AND DEMOGRAPHIC PROFILE OF NASHVILLE AND DAVIDSON COUNTY

Introduction

The Metropolitan Government of Nashville and Davidson County ("Nashville"), as created in 1963, is in the north central part of Tennessee and covers 533 square miles. Nashville is the capital of the State of Tennessee and is situated in the Nashville Basin, between the Tennessee River on the west and the Eastern Highland Rim on the east.

Population Growth

The following table sets forth information concerning population growth in Nashville. Comparison with the Nashville Metropolitan Statistical Area ("MSA"), the State and the United States serve to illustrate relative growth.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

DEMOGRAPHIC STATISTICS – Unaudited See Accompanying Accountant's Report

Population Growth

Area	1980	1990	% Change 1980-1990	2000	Estimated 2001	% Change 1990-2001
Nashville/Davidson (1)	477,811	510,786	6.9 %	569,891	576,166	11.6 %
MSA (1)	850,505	985,026	15.8	1,231,311	1,259,099	25.0
State (1)	4,591,120	4,890,640	6.2	5,689,283	5,777,585	16.3
United States (2)	226,545,805	248,709,925	9.8	272,690,813	277,803,000	10.4

Source: Population is from the U. S. Department of Commerce, Bureau of the Census except for "Estimated 2000" which are from the following sources:

- (1) Nashville/Davidson, MSA, and State estimates for 2001 are from projections based on existing population and growth rates.
- (2) Bureau of the Census.

Growth within the MSA has occurred to the greatest extent in surrounding communities, which, although suburbs of Nashville, are in themselves residential, manufacturing and agricultural communities.

Per Capita Personal Income

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Nashville	\$ 22,847	\$ 23,743	\$ 25,426	\$ 26,012	\$ 26,844	\$ 28,033	\$ 28,911	\$ 30,652	\$ 31,797	\$ 32,987
MSA	22,056	22,967	24,590	24,967	25,915	27,010	27,746	29,385	30,274	31,371
Tennessee	20,400	21,310	22,509	23,030	23,791	24,664	25,504	26,690	27,886	28,845
United States	19,584	20,089	21,082	21,718	22,581	23,562	24,651	25,874	27,322	28,542

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Accounts data updated June 2000

Economy of the Metropolitan Area

Nashville has a diverse economy, having considerable involvement in commerce and industry, education and government. Agriculture is also a major factor in the economy of the surrounding counties. Insurance, finance, publishing, banking, health care, music, tourism, manufacturing and distribution are mainstays of the economy. Lack of dependency on one industry has helped to insulate Nashville from the impact of product business cycles. Businesses have been attracted to Nashville because of its location, work force, services and taxes. The central location of Nashville, approximately halfway between Houston and New York, has contributed to its emergence as an important wholesale and retail center.

Employment

The following table shows the labor force segments of the eight county Nashville Metropolitan Statistical Area for calendar years 1991 through 2000.

Nashville MSA											
Employment By Industry											
IN THOUSANDS											
											% Change
Industry	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	00 vs. 91
Manufacturing	86.9	90.7	94.2	98.7	99.8	96.5	96.3	95.4	96.2	97.3	12.0 %
Wholesale & Retail Trade	122.8	125.0	129.9	137.3	143.1	147.2	152.6	157.7	160.8	168.2	37.0
Construction & Mining	21.0	19.9	22.3	25.4	27.5	29.6	31.1	32.2	33.0	34.2	62.9
Finance, Insurance and Real Estate	30.7	30.6	31.4	33.1	34.4	36.8	39.3	42.5	43.3	43.5	41.7
Services	140.2	149.3	159.3	168.6	182.2	190.3	199.1	208.4	213.1	219.6	56.6
Government	69.7	68.8	72.6	75.4	76.3	78.0	80.7	82.5	84.5	86.6	24.2
Transportation, Public Utilities and Communication	29.2	30.3	32.2	32.4	32.2	31.2	31.1	33.0	34.3	35.5	21.6
Total	500.5	514.6	541.9	570.9	595.5	609.6	630.2	651.7	665.2	684.9	36.8 %

Source: The University of Tennessee Center for Business and Economic Research

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
MISCELLANEOUS STATISTICS (CONTINUED)

See Accompanying Accountants' Report

June 30, 2001

Twenty-five Largest Employers in the Nashville MSA	<u>Number of Employees</u>
1. Tennessee State Government	18,600
2. Vanderbilt University and Medical Center	12,000
3. United States Government*	11,200
4. Metropolitan Nashville and Davidson County Schools	10,490
5. Metropolitan Government of Nashville and Davidson County	9,500
6. HCA	7,800
7. Saturn Corporation	7,220
8. Kroger Company*	5,900
9. Nissan Motor Manufacturing Corporation U.S.A.*	5,800
10. Gaylord Entertainment*	4,954
11. Wal-Mart Stores	4,500
12. Shoney's, Inc.*	4,000
13. Bellsouth Telephone Communications*	3,400
14. Rutherford County Public Schools and County Government*	3,206
15. St. Thomas Hospital/Health Services*	3,000
16. Bridgestone/Firestone USA, Inc.*	3,000
17. Baptist Hospital*	3,000
18. Ingram Industries, Inc.*	3,000
19. Service Merchandise Company*	2,838
20. Sumner County Public Schools and County Government*	2,700
21. Williamson Public Schools and County Government*	2,600
22. United Parcel Service	2,446
23. Cracker Barrel Old Country Store, Inc.*	2,400
24. The Tennessean*	2,200
25. Dell	1,995

*Indicates Corporate, U.S. Division, or Regional Headquarters.

Source: Nashville Area Chamber of Commerce, *Largest Employers in the Nashville MSA, 2001*

Unemployment Rates

The following table sets forth the unemployment percentage rates in Nashville, the MSA, the State and the United States for the calendar years 1991-2000.

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Nashville	4.8 %	4.8 %	3.9 %	3.0 %	3.3 %	3.2 %	3.4 %	2.6 %	2.8 %	2.7 %
MSA	5.2	5.0	4.1	3.1	3.4	3.3	3.5	2.7	2.7	2.6
Tennessee	6.7	6.4	5.7	4.8	5.2	5.2	5.4	4.2	4.0	3.7
United States	6.8	7.5	6.9	6.1	5.6	5.4	4.9	4.5	4.2	4.1

Source: Bureau of Labor Statistics

Investment and Job Creation

In 2000-2001, the Nashville Area Chamber of Commerce announced some 36 business relocations to the Nashville MSA and over 60 expansions in manufacturing, distribution or office operations. Continued expansion has occurred in recent years in information processing operations, the automotive industry, health care management and many areas where the local economy has established strength and growth potential.

Nissan North America-Smyrna began the production of its Maxima model in the Smyrna plant in September 2001, which added approximately 1,000 new employees. Union Planters Bank added 120 new jobs by opening a credit administration center. A \$5 million investment by Inflow, Inc. opened a 17,000 sq/ft data network exchange facility in the new commerce center. Engine Controls Distribution, an automotive parts manufacturer, relocated to Davidson County adding 350 new employees.

Education

The School System had its beginning in 1963 with the merger of Nashville and Davidson County. The Nashville public schools make up the second largest school system in Tennessee. During the 2000-2001 school year, approximately 78% of students who were residents of Nashville attended public schools. In addition, there were 57 independent schools which were attended by 20,000 students during the 2000-2001 school year.

The School System is administered by the Metropolitan Board of Education, consisting of 9 members. Davidson County voters elect one member from each school district to a four-year term. The terms are staggered so that at least four members are elected every two years. The Board of Education holds regular meetings on the second and fourth Tuesday of each month. These meetings are open to the public.

The current members of the Metropolitan Board of Education, the office held by each and the date their term of office expires are listed below.

The Metropolitan Board of Public Education
2000-2001

<u>Member</u>	<u>Office</u>	<u>Expiration Date of Term of Office</u>
George Blue	Vice-Chair	2002
Vern Denney	Member	2002
Kathy Nevill	Member	2002
Kathleen Harkey	Member	2002
Patricia Crotwell	Member	2004
Pam Garrett	Member	2004
Edward T. Kindall	Member	2004
Christina Norris	Member	2004
George Thompson, III	Chair	2004

The following tables summarize certain information regarding the School System's building facilities and enrollment and attendance trends.

School System
Public Education Facilities
2000-2001

<u>Educational Level</u>	<u>Number of Buildings</u>	<u>2000-2001 School Year Enrollment</u>
Elementary	67 (1)	30,421 (K-4)
Middle	37 (2)	20,764 (5-8)
Senior	16 (3)	16,164 (9-12)
Special Education	3	2,108
Adult Center	1	-
Total	124	69,457

- (1) Includes one magnet school.
- (2) Includes three magnet schools.
- (3) Includes three magnet schools and four alternative schools.

School System
Public Schools
Enrollment and Attendance

School Year	Enrollment (1)	Average Attendance
1991-1992	67,580	63,615
1992-1993.....	69,469	64,939
1993-1994.....	71,289	66,248
1994-1995.....	70,481	65,609
1995-1996.....	70,212	66,691
1996-1997.....	71,341	67,702
1997-1998.....	71,000	67,450
1998-1999.....	69,878	63,896
1999-2000.....	69,723	66,118
2000-2001.....	69,457	65,289

(1) Official enrollment as reported to the State Board of
Education in October of each school year.

Nashville has 16 colleges and universities, including Vanderbilt University, Belmont University, Tennessee State University, David Lipscomb University, Meharry Medical College, Nashville State Technical Institute and Fisk University. Total higher education enrollment exceeds 30,000 students annually.

Seven of Nashville's institutions of higher education offer graduate programs. Nashville is also a leading center for medical research and education with Vanderbilt University emphasizing medical research in addition to its programs in other disciplines and Meharry Medical College specializing in health care delivery.

Several commercial and vocational schools are located in Nashville. In addition, the Adult Vocational Educational Program operated by the Metropolitan Board of Education and the State Department of Education provides skill training to approximately 1,500 adults annually. An advisory committee for vocational education consisting of business and industrial leaders advises the MBE as to the need for vocational classes and as to changes needed to meet the demand for new skills and knowledge.

Manufacturing

In 2000, an average of 97,367 persons were employed in the manufacturing industries in the MSA, engaging in a wide range of activities and producing a variety of products, including food, tobacco, textiles and furnishings, lumber and paper, printing and publishing, chemical and plastics, leather, concrete, glass, stone, primary metals, machinery and electronics, motor vehicle equipment, measuring and controlling devices, and consumer products.

The Nashville MSA's largest manufacturing employer is Saturn Corporation, with some 7,220 employees, built 30 miles to the south of Nashville, on the edge of the MSA. The second largest, Nissan Motor Manufacturing Corp. U.S.A. has its only U.S. plant located just outside of Nashville.

Trade

Nashville is the major wholesale and retail trade center for the MSA and some 50 counties in the central region of the State, southern Kentucky and northern Alabama, a retail trade area of more than 2.3 million people with retail sales of over \$15 billion. Major regional shopping centers register more than \$3.0 billion in retail sales annually, placing Nashville in the nation's top 50 markets. Outside the Nashville downtown area there are five major shopping centers, four of which are enclosed malls, and 60 smaller shopping complexes. Total retail trade for the Nashville MSA in 2000 was approximately \$13.8 billion.

Agriculture

Nashville is surrounded by farming area. The area of middle Tennessee produces livestock, dairy products, soybeans, small grain, feed lot cattle, strawberries, hay and tobacco. The area surrounding Nashville is the home of the Tennessee Walking Horse.

Transportation

Nashville serves as a conduit or trans-shipment point for much of the traffic between the northeast and southeast United States. Three interstate highways extending in six directions intersect in Nashville in addition to nine Federal highways and four State highways. Barge service on the Cumberland River, together with good rail and air service, give Nashville an excellent four-way transportation network.

The Cumberland River, connecting Nashville and the surrounding area to the Gulf of Mexico and intermediate points on the Ohio and Mississippi Rivers, is used by 51 commercial operators, 18 of which serve Nashville. With the completion of the Tennessee-Tombigbee Waterway in 1985, Cumberland River freight is able to reach the Port of Mobile, thereby eliminating approximately 600 miles of the distance from Nashville to the open sea and contributing to the development of foreign trade in Nashville. In addition, the Federal Government in 1982 approved Nashville as a Foreign Trade Zone, a secured area supervised by the United States Custom Service which provides for the storing of foreign merchandise without duty payments.

The CSX System, a major national railroad, serves Nashville. In addition, five major rail lines link Nashville to all major markets in the nation. Rail carriers interchange freight and cooperate in providing and extending transit privileges covering both dry and cold storage and the processing or conversion of materials.

The Metropolitan Nashville Airport Authority (the "Airport Authority") owns Nashville International and John C. Tune airports. Nashville International Airport (the "Airport") is situated approximately eight miles from downtown Nashville. It is serviced by seventeen scheduled airlines. According to the Authority, in 2000 approximately 9 million passengers used the airport. The Airport presently serves 80 markets with an average of 416 arriving and departing flights per day.

The 820,000 square foot Airport terminal has 46 air carrier gates and up to 52 commuter aircraft parking positions. The Airport has four runways of up to 11,000 feet, including parallels for simultaneous landings and takeoffs.

The Airport Authority also operates the John C. Tune Airport in the Cockrill Bend Industrial area west of Nashville. It serves the needs of regional corporate and private aircraft and allows Nashville International's air carrier traffic to flow with fewer constraints. Tune Airport also provides a pilot training environment and modern facilities for the transient and corporate operator.

The Metropolitan Transit Authority ("MTA") provides a comprehensive public transportation system covering the entire metropolitan area. In addition to regularly scheduled bus routes, MTA provides special transportation services for the handicapped and operates trolley cars in the downtown area for shoppers, tourists and downtown workers.

Construction

Construction in Nashville is illustrated by the following table describing the number and value of building permits issued by the Department of Codes Administration of the Metropolitan Government. Construction has grown through most of the 1990's. In 2000, Metro saw a total dollar volume of permit activity at \$1.32 billion.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
BUILDING PERMIT ACTIVITY
Unaudited - See Accompanying Accountants' Report
Ten Year Summary

Calendar Year	Residential Construction		Non-Residential Construction		Repairs, Alterations and Installations		Other (1)		Total Permit Value
	Number of Permits	Value	Number of Permits	Value	Number of Permits	Value	Number of Permits	Value	
1991	1,308	\$ 142,051,081	721	\$ 232,895,823	5,739	\$ 213,660,075	1,799	\$ 7,078,700	\$ 595,685,679
1992	1,793	189,520,491	736	367,903,676	6,294	230,637,217	1,795	8,609,585	796,670,969
1993	2,080	229,048,197	690	211,969,848	6,385	284,604,823	1,501	16,570,248	742,193,116
1994	2,038	269,904,628	962	451,157,419	5,979	308,124,028	1,545	9,524,180	1,038,710,255
1995	2,335	427,057,950	987	267,735,281	5,566	304,314,632	1,473	10,103,598	1,009,211,461
1996	2,241	425,145,645	1,091	239,280,249	5,231	315,359,663	1,363	11,902,258	991,687,815
1997	2,240	376,003,886	1,036	492,917,275	5,307	271,749,797	1,504	10,417,506	1,151,088,464
1998	2,487	397,690,382	1,040	498,439,904	5,805	357,775,227	1,466	14,520,549	1,268,426,062
1999	2,686	508,776,654	1,206	697,396,351	4,740	397,754,933	1,455	18,187,549	1,622,115,487
2000	2,421	444,626,418	1,010	386,428,784	4,673	479,932,778	1,272	11,960,044	1,322,948,024

(1) Includes moved residential buildings, house trailers, and the demolition of residential and non-residential buildings and sign and billboard permits.

Of the seven major areas of office development in Nashville, the central business district is by far the largest, with approximately 6 million square feet of leasable space. Office vacancy throughout the city through mid-year 2001 is at 12.21%. The 2525 West End building near downtown Nashville is the most recent large office project.

The Gaylord Entertainment Center, formerly the Nashville Arena, is now in its fifth year of operation as a premier entertainment facility. The Gaylord Entertainment Center hosted 384 ticketed events since its opening and has recorded over \$100 million in gross sales. In their first two seasons in the NHL, the Nashville Predators have averaged over 15,000 tickets sold per game, which includes 37 sellouts.

The Tennessee NFL Stadium, now named the Coliseum, is the home of the 1999 AFC Champion and 2000 AFC Central Division Champion Tennessee Titans and of the 1999 OVC Champion Tennessee State University Tigers. Now in its third year of operation, 100% of Titans season ticket packages are sold, and the Titans have played every game in the new facility in front of a sell-out crowd. The Coliseum seats 68,498 fans.

Tourism

Tourism is a major industry in Nashville. The Convention and Visitors Bureau of the Nashville Area Chamber of Commerce estimates that more than 10.5 million tourists came to Nashville in 2000 and they spent \$2.7 billion. Music, history, art, and generous hospitality attract convention delegates and leisure visitors.

The new Country Music Hall of Fame opened in downtown Nashville in May, 2001. The \$37 million facility is a striking architectural statement featuring music related icons both outside and inside the building. From a distance, the front façade of the building looks like a piano keyboard. The shape of the building is that of the musical notation for a bass clef. The conservatory entrance is available for after-hour events and spaces of varying sizes offer attractive event spaces. The new Hall of Fame features live entertainment daily with musical instruments demonstrations, songwriting sessions, performances each day at lunch and a live TV show each weekday afternoon.

Nashville's leadership convinced Fan Fair to relocate to downtown for their 2001 event. The Country Music Association coordinates performances by more than 100 entertainers and groups. There were major concerts at the Coliseum, smaller performances at Riverfront Park and the Bicentennial Mall and autograph sessions at the Nashville Convention Center. Attendance had been flat or declining for a number of years but the changes and new marketing efforts resulted in the highest attendance ever, totaling 124,000 aggregate attendance.

The Frist Center for the Visual Arts opened in June, 2001 in the old Post Office building in downtown Nashville. A public/private partnership between Metropolitan Government, the Frist Foundation and the Dr. Thomas Frist Jr. family, renovated the Art/Deco building as a world-class exhibition hall for visiting art exhibits. An auditorium for 250 and large entrance hall is ideal for groups and after-hours functions. The Frist Center does not intend to build a permanent art collection but will place special emphasis on education, arts-related programs for the school children of Nashville and community outreach. The Center has given Nashville the ability to host significant art shows that have not exhibited here in the past.

Opry Mills is 1.1 million square foot megamall which opened in May 2000. The mall contains 200 stores, theme restaurants, a multi-theater complex, an IMAX theater and Gibson Guitars Bluegrass instrument factory under glass. During the first year of operation, the mall counted 14 million visits.

The downtown entertainment district features the Hard Rock Café, the Wild Horse Saloon, a concert hall, restaurant, dance hall and TV production facility. The Ryman Auditorium, a former home of the Grand Ole Opry, is known for outstanding acoustics. The Ryman has become a venue of choice by entertainers visiting Nashville. The proximity of the Gaylord Entertainment Center and the Coliseum to the entertainment district assures good crowds on event days.

The Tennessee State Museum, the Cheekwood Botanical Gardens and Fine Arts Center, The Tennessee Performing Arts Center, the Cumberland Museum and Science Center and the Parthenon supplement educational and cultural opportunities in the City. The Tennessee Performing Arts Center, a State facility in Downtown Nashville, contains a 2,442 seat concert hall, a 1,054 seat legitimate theater and a 300 seat flexible theater.

The Cumberland Science Museum and the Nashville Zoo provide opportunities for Nashville's adults and children to learn how science and wildlife affect their lives. The Cumberland Science Museum is undergoing an expansion of the building and their mission. It features exhibits and programs which focus on geology, zoology, ecology, physics and other sciences. The Nashville Zoo is in the third year of a multi-year, multi-million dollar expansion program. The Zoo property is built around the historic Grassmere Home and features an ever-expanding display of reptiles, amphibians and birds from throughout the world.

Nashville has 175 hotels and motels that feature more than 32, 000 rooms. The Gaylord Opryland Resort and Convention Center is one of the largest hotel/convention centers under one roof in the United States. The complex features 2, 884 hotel rooms, 300,000 square feet of exhibit space and 300,000 square feet of meeting space. In 2001, the Marriott at Vanderbilt opened 307 rooms.

Below is a history of hotel/motel rooms and percentage of occupancy from 1991 through 2000:

Calendar Year	Rooms Available	Occupancy Rate
1991	18,485	69.2 %
1992	20,400	72.2
1993	20,300	74.0
1994	20,300	74.3
1995	22,000	73.5
1996	24,121	72.0
1997	24,375	66.8
1998	26,500	62.7
1999	30,889	61.4
2000	31,642	60.5

Source: Nashville Conventions and Visitors
Bureau

Medical and Cultural Facilities

Nashville is one of the nation's leaders in the health care field. HCA Healthcare has its headquarters and operates several hospitals here. Baptist Hospital, Vanderbilt University Medical Center, and St. Thomas Hospital are the city's other primary hospitals.

Metro has relocated the city owned hospital, Metro Nashville General Hospital, to Hubbard Hospital of Meharry Medical College in 1998. In addition, Meharry provides medical staff to Metro Nashville General Hospital. The arrangement provides the city with a renovated facility staffed with residents from Meharry Medical College.

In the spring of 2001, a new, larger downtown public library building, estimated at over 280,000 square feet was completed. During 2000, one branch library underwent major renovations; three branches were replaced with newer, larger buildings; and two additional branches were constructed. Each new branch has a size of 20,000 to 25,000 square feet. With the downtown public library, its 20 community branches (after renovations and new constructions), the Vanderbilt University Library and the libraries of other schools, Nashville offers a wide range of books and other materials for instruction, research and innovation.

The Frist Center for the Visual Arts opened in the spring of 2001 in Nashville's historic downtown post office building. A public-private partnership between Metropolitan Government, The Frist Foundation and the Dr. Thomas F. Frist, Jr. family, the Center contains more than 24,000 square feet of gallery space capable of showcasing major national and international visual arts exhibitions. The Frist Center does not intend to build a permanent art collection but will instead place special emphasis on education, arts-related programs for the school children of Nashville, and community outreach. The Center will give Nashville the ability to host significant art shows that have not exhibited here in the past.

MISCELLANEOUS

The references, excerpts and summaries of all documents referred to herein do not purport to be complete statements of the provisions of such documents, and reference is made to all such documents for full and complete statements of all matters of fact relating to the Bonds, the security for the payment of the Bonds and the rights of the holders thereof.

The information contained in this Yearly Information Statement has been compiled from official and other sources deemed to be reliable, and while not guaranteed as to completeness or accuracy, is believed to be correct as of this date.

Any statements made in this Yearly Information Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representation of fact, and no representation is made that any of the estimates will be realized. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Yearly Information Statement nor any sale of securities made using this Yearly Information Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the Metropolitan Government since the date hereof.

THE METROPOLITAN GOVERNMENT OF
NASHVILLE AND DAVIDSON COUNTY

/s/Bill Purcel
Metropolitan County Mayor

/s/David Manning
Director of Finance

APPENDIX A
GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE
YEAR ENDED
JUNE 30, 2001



1900 Nashville City Center
511 Union Street
Nashville, TN 37219-1735

Independent Auditors' Report

The Honorable Mayor and Members of Council
The Metropolitan Government of Nashville
and Davidson County, Tennessee:

We have audited the general purpose financial statements of The Metropolitan Government of Nashville and Davidson County, Tennessee (the "Government") as of and for the year ended June 30, 2001. These financial statements are the responsibility of the management of the Government. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the following Component Units and Special Revenue Funds: the Nashville District Management Corporation, the Metropolitan Development and Housing Agency, the Electric Power Board, the Metropolitan Transit Authority, the Nashville Thermal Transfer Corporation, the Metropolitan Nashville Airport Authority, the Emergency Communications District, the Industrial Development Board, and the School Activity Fund, which reflect 74% of the total assets and 92% of the total revenues of the Component Units of the Government and 2% of the total assets and 2% of the total revenues of the Special Revenue Funds of the Government. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Metropolitan Government of Nashville and Davidson County, Tennessee as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types, nonexpendable trust funds, and proprietary type discretely presented component units for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The schedule of funding progress, schedule of employer contributions, and the combining statements of plan net assets and changes in plan net assets on pages A-66 through A-69, A-70, and A-90 through A-93 are not a required part of the general purpose financial statements, but are supplementary information required by the Governmental Accounting Standards Board, and we did not audit and do not express an opinion on such information. We have applied to the schedules of funding progress and employer contributions certain limited procedures prescribed by professional standards, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the schedules. The information in the combining statements of plan net assets and changes in plan net assets have been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, are fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2001 on our consideration of the Government's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

KPMG LLP

October 31, 2001



KPMG LLP, KPMG LLP, a U.S. limited liability partnership, is
a member of KPMG International, a Swiss association.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

COMBINED BALANCE SHEET
ALL FUNDS, ACCOUNT GROUPS AND DISCRETELY PRESENTED COMPONENT UNITS

June 30, 2001

	GOVERNMENTAL FUNDS				PROPRIETARY FUNDS	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service
ASSETS						
Cash and cash equivalents	\$ 43,689,003	\$ 55,952,394	\$ 80,085,867	\$ 56,929,118	\$ 14,146,979	\$ 22,732,838
Investments	29,786,793	41,478,102	65,107,443	170,270,110	11,580,130	19,012,634
Annuities	-	-	-	-	-	-
Sales tax receivable	12,707,485	24,189,249	1,785,925	-	-	-
Accounts receivable	56,124,283	16,447,531	1,088,643	425,781	18,096,271	411,176
Allowance for doubtful accounts	-	-	-	-	(451,502)	-
Accrued interest receivable	274,832	276,708	474,151	1,347,835	1,132,897	142,555
Property taxes receivable	333,708,397	170,319,484	96,989,474	-	-	-
Due from other funds of the primary government	3,725,768	15,916,318	14,412,921	801,339	144,737	2,915,326
Due from the primary government	-	-	-	-	-	-
Due from component units	3,348,204	20,504	-	187,921	108,502	54,516
Inventories of supplies	153,239	2,520,660	-	-	2,460,709	279,253
Other assets	667,188	379,049	-	262,014	-	-
Other current assets	-	-	-	-	46,001	3,264,969
Restricted assets:						-
Cash and cash equivalents	-	-	-	-	103,534,533	-
Investments	-	-	-	-	216,350,342	-
Accrued interest receivable	-	-	-	-	1,010,146	-
Due from other governmental agencies	-	-	-	-	4,487,723	-
Due from other funds of the primary government	-	-	-	-	560,184	-
Other restricted assets	-	-	-	-	129,089	-
Notes receivable	-	-	-	-	-	-
Property, plant and equipment	-	-	-	-	1,681,620,950	38,865,296
Accumulated depreciation	-	-	-	-	(419,376,082)	(17,352,088)
Other non-current assets	-	-	-	-	9,452,400	-
Other debits:						-
Amount available in debt service funds	-	-	-	-	-	-
Amount to be provided for retirement of long-term debt	-	-	-	-	-	-
Total assets	\$ 484,185,192	\$ 327,499,999	\$ 259,944,424	\$ 230,224,118	\$ 1,645,034,009	\$ 70,326,475
LIABILITIES, EQUITY AND OTHER CREDITS						
LIABILITIES:						
Accounts payable	\$ 9,641,428	\$ 9,334,775	\$ 66,826	\$ 7,965,399	\$ 4,269,712	\$ 1,491,163
Accrued payroll	14,975,524	4,658,774	-	-	4,001,313	968,290
Claims payable	-	-	-	-	-	16,862,521
Due to other funds of the primary government	12,891,905	9,172,327	4,927	14,236,552	434,740	1,180,915
Due to component units	146,972	145,051	-	-	65,902	61,845
Due to the primary government	-	-	-	-	-	-
Customer deposits	-	-	-	-	2,894,270	-
Deferred revenue	341,975,473	175,786,888	96,989,474	-	-	-
Funds held in trust	-	-	-	-	-	-
Current portion of long-term debt	-	-	-	-	-	-
Current portion of capital lease	-	-	-	-	125,000	-
Other liabilities	4,503,236	11,227,714	1,063,659	7,386	-	-
Other current liabilities	-	-	-	-	1,797,008	588,201

The accompanying notes following the General Purpose Financial Statements are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

COMBINED BALANCE SHEET
ALL FUNDS, ACCOUNT GROUPS AND DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)

June 30, 2001

FIDUCIARY FUNDS	ACCOUNT GROUPS		Total Primary Government (Memorandum Only)	COMPONENT UNITS		Total Reporting Entity (Memorandum Only)
	General	General		Governmental	Proprietary	
	Fixed Assets	Long-term Debt				
Trust and Agency						
\$ 111,766,117	\$ -	\$ -	\$ 385,302,316	\$ 26,878,449	\$ 68,012,388	\$ 480,193,153
1,529,300,036	-	-	1,866,535,248	17,373,585	57,813,670	1,941,722,503
1,042,766	-	-	1,042,766	-	-	1,042,766
-	-	-	38,682,659	-	-	38,682,659
1,672,228	-	-	94,265,913	679,099	125,959,638	220,904,650
-	-	-	(451,502)	-	(18,989,113)	(19,440,615)
6,438,486	-	-	10,087,464	126,692	2,548,327	12,762,483
-	-	-	601,017,355	-	-	601,017,355
1,405,682	-	-	39,322,091	-	-	39,322,091
-	-	-	-	61,845	358,274	420,119
25,643	-	-	3,745,290	-	27,685	3,772,975
-	-	-	5,413,861	-	19,917,761	25,331,622
-	-	-	1,308,251	13,083	-	1,321,334
18,103	-	-	3,329,073	-	4,690,211	8,019,284
-	-	-	103,534,533	-	120,016,657	223,551,190
-	-	-	216,350,342	-	189,548,558	405,898,900
-	-	-	1,010,146	-	1,547,126	2,557,272
-	-	-	4,487,723	-	-	4,487,723
-	-	-	560,184	-	-	560,184
-	-	-	129,089	-	2,227,315	2,356,404
-	-	-	-	-	23,476,032	23,476,032
204,414	1,015,034,603	-	2,735,725,263	418,969,497	1,957,588,417	5,112,283,177
(66,414)	-	-	(436,794,584)	-	(726,205,984)	(1,163,000,568)
-	-	-	9,452,400	-	58,298,486	67,750,886
-	-	161,819,538	161,819,538	4,912,860	-	166,732,398
-	-	1,156,882,213	1,156,882,213	88,837,140	-	1,245,719,353
\$ 1,651,807,061	\$ 1,015,034,603	\$ 1,318,701,751	\$ 7,002,757,632	\$ 557,852,250	\$ 1,886,835,448	\$ 9,447,445,330
\$ 86,668,192	\$ -	\$ -	\$ 119,437,495	\$ 20,146,566	\$ 116,193,729	\$ 255,777,790
-	-	-	24,603,901	-	9,160,312	33,764,213
-	-	-	16,862,521	-	-	16,862,521
1,960,909	-	-	39,882,275	-	-	39,882,275
349	-	-	420,119	-	27,685	447,804
-	-	-	-	1,162,322	2,274,543	3,436,865
-	-	-	2,894,270	-	6,396,282	9,290,552
-	-	-	614,751,835	-	-	614,751,835
27,936,528	-	-	27,936,528	-	-	27,936,528
-	-	-	-	-	20,305,332	20,305,332
-	-	-	125,000	-	913,420	1,038,420
5,877,168	-	-	22,679,163	26,408	-	22,705,571
-	-	-	2,385,209	-	22,544,344	24,929,553

The accompanying notes following the General Purpose Financial Statements are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

COMBINED BALANCE SHEET
ALL FUNDS, ACCOUNT GROUPS AND DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)

June 30, 2001

	GOVERNMENTAL FUNDS				PROPRIETARY FUNDS	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service
<u>LIABILITIES, EQUITY AND OTHER CREDITS (CONTINUED)</u>						
LIABILITIES: (CONTINUED)						
Liabilities payable from restricted assets:						
Accrued interest	\$ -	\$ -	\$ -	\$ -	\$ 15,142,460	\$ -
Accounts payable	-	-	-	-	6,970,009	-
Other liabilities	-	-	-	-	58,102	-
Funds held in trust	-	-	-	-	-	-
Current portion of long-term debt	-	-	-	-	20,624,125	-
Revenue bonds payable	-	-	-	-	515,802,108	-
Capitalized lease obligations	-	-	-	-	2,340,000	-
TVA advances	-	-	-	-	-	-
Other long-term liabilities	-	-	-	-	58,909,285	-
General obligation bonds and other liabilities payable	-	-	-	-	-	-
Total liabilities	384,134,538	210,325,529	98,124,886	22,209,337	633,434,034	21,152,935
EQUITY AND OTHER CREDITS:						
Contributed capital	-	-	-	-	560,452,757	13,557,395
Investment in general fixed assets	-	-	-	-	-	-
Retained earnings:						
Reserved for trust purposes	-	-	-	-	-	-
Reserved for debt retirement	-	-	-	-	52,955,237	-
Reserved for construction	-	-	-	-	229,921,372	-
Reserved for self-insurance	-	-	-	-	-	-
Unreserved	-	-	-	-	168,270,609	35,616,145
Fund balance:						
Reserved for encumbrances	-	7,793,385	-	22,045,166	-	-
Reserved for imprest cash and inventories	977,074	2,881,485	-	200	-	-
Reserved for arbitrage rebate	-	-	3,080,613	-	-	-
Reserved for subsequent year budgetary appropriations	8,595,723	-	27,739,646	-	-	-
Reserved for subsequent year budgetary appropriations - encumbered	1,537,082	-	-	-	-	-
Reserved for equipment acquisitions	-	13,235,176	-	-	-	-
Reserved for debt service	-	-	130,999,279	-	-	-
Reserved for employees' pension benefits	-	-	-	-	-	-
Reserved for trust purposes	-	-	-	-	-	-
Unreserved:						
Designated for specific purposes	3,748,079	12,388,195	-	-	-	-
Designated for specific capital projects	-	-	-	187,670,568	-	-
Designated for trust purposes	-	-	-	-	-	-
Designated for recycling	-	1,443,334	-	-	-	-
Undesignated	85,192,696	79,432,895	-	(1,701,153)	-	-
Total equity and other credits	100,050,654	117,174,470	161,819,538	208,014,781	1,011,599,975	49,173,540
Total liabilities, equity and other credits	\$ 484,185,192	\$ 327,499,999	\$ 259,944,424	\$ 230,224,118	\$ 1,645,034,009	\$ 70,326,475

The accompanying notes following the General Purpose Financial Statements are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

COMBINED BALANCE SHEET
ALL FUNDS, ACCOUNT GROUPS AND DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)

June 30, 2001

FIDUCIARY FUNDS Trust and Agency	ACCOUNT GROUPS		Total Primary Government (Memorandum Only)	COMPONENT UNITS		Total Reporting Entity (Memorandum Only)
	General Fixed Assets	General Long-term Debt		Governmental	Proprietary	
\$ -	\$ -	\$ -	\$ 15,142,460	\$ -	\$ 12,835,124	\$ 27,977,584
-	-	-	6,970,009	-	-	6,970,009
-	-	-	58,102	-	-	58,102
-	-	-	-	-	268,356	268,356
-	-	-	20,624,125	-	20,936,375	41,560,500
-	-	-	515,802,108	93,750,000	841,630,565	1,451,182,673
-	-	-	2,340,000	-	44,244,334	46,584,334
-	-	-	-	-	4,206,559	4,206,559
-	-	-	58,909,285	-	76,241,670	135,150,955
-	-	1,318,701,751	1,318,701,751	-	-	1,318,701,751
122,443,146	-	1,318,701,751	2,810,526,156	115,085,296	1,178,178,630	4,103,790,082
-	-	-	574,010,152	-	378,927,685	952,937,837
-	1,015,034,603	-	1,015,034,603	418,969,497	-	1,434,004,100
-	-	-	-	-	2,772,385	2,772,385
-	-	-	52,955,237	-	38,572,270	91,527,507
-	-	-	229,921,372	-	93,320,456	323,241,828
-	-	-	-	-	1,000,000	1,000,000
-	-	-	203,886,754	-	194,064,022	397,950,776
2,750	-	-	29,841,301	-	-	29,841,301
-	-	-	3,858,759	-	-	3,858,759
-	-	-	3,080,613	-	-	3,080,613
-	-	-	36,335,369	-	-	36,335,369
-	-	-	1,537,082	-	-	1,537,082
-	-	-	13,235,176	-	-	13,235,176
-	-	-	130,999,279	4,912,861	-	135,912,140
1,526,950,150	-	-	1,526,950,150	-	-	1,526,950,150
1,149,190	-	-	1,149,190	-	-	1,149,190
-	-	-	16,136,274	-	-	16,136,274
-	-	-	187,670,568	7,051,069	-	194,721,637
1,261,825	-	-	1,261,825	-	-	1,261,825
-	-	-	1,443,334	-	-	1,443,334
-	-	-	162,924,438	11,833,527	-	174,757,965
1,529,363,915	1,015,034,603	-	4,192,231,476	442,766,954	708,656,818	5,343,655,248
\$ 1,651,807,061	\$ 1,015,034,603	\$ 1,318,701,751	\$ 7,002,757,632	\$ 557,852,250	\$ 1,886,835,448	\$ 9,447,445,330

The accompanying notes following the General Purpose Financial Statements are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUNDS, EXPENDABLE TRUST FUNDS AND
DISCRETELY PRESENTED GOVERNMENTAL TYPE COMPONENT UNITS

For the Year Ended June 30, 2001

	GOVERNMENTAL FUNDS			
	General	Special Revenue	Debt Service	Capital Projects
REVENUES:				
Property taxes	\$ 266,534,541	\$ 111,206,690	\$ 93,121,235	\$ -
Local option sales tax	78,323,804	141,948,976	16,930,017	-
Other taxes, licenses and permits	78,457,620	19,239,743	-	-
Fines, forfeits and penalties	9,886,470	2,859,655	-	-
Revenues from the use of money or property	2,634,827	5,113,227	5,892,842	7,475,587
Revenues from other governmental agencies	93,730,534	214,255,669	3,878,324	2,893,650
Commissions and fees	13,516,675	-	897,489	-
Charges for current services	19,681,031	27,514,419	-	-
Compensation for loss, sale or damage to property	1,313,367	1,507,523	1,500,050	94,502
Contributions and gifts	844,515	8,605,279	-	-
Employee contributions	-	-	-	-
Miscellaneous	774,285	79,984	-	158,663
Total revenues	565,697,669	532,331,165	122,219,957	10,622,402
EXPENDITURES:				
Current:				
General government	23,780,866	-	-	-
Fiscal administration	17,128,581	-	-	-
Administration of justice	39,377,240	-	-	-
Law enforcement and care of prisoners	140,935,478	-	-	-
Fire prevention and control	67,145,761	-	-	-
Regulation and inspection	5,890,959	-	-	-
Conservation of natural resources	354,787	-	-	-
Public welfare	12,758,996	-	-	-
Public health	28,794,563	-	-	-
Public library system	11,815,438	-	-	-
Public works, highways and streets	30,886,707	-	-	-
Recreational and cultural	27,826,667	-	-	-
Employee benefits	44,796,706	-	-	-
Miscellaneous	12,533,657	-	-	-
Schools:				
Administration	-	9,713,025	-	-
Instruction	-	339,942,525	-	-
Attendance service	-	2,460,845	-	-
Pupil transportation	-	19,827,681	-	-
Plant operations	-	40,097,147	-	-
Plant maintenance	-	11,123,039	-	-
Fixed charges	-	7,713,085	-	-
Community services	-	3,334,699	-	-
Services and supplies	-	24,471,645	-	-
Capital outlay	-	3,145,621	-	-

The accompanying notes following the General Purpose Financial Statements are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUNDS, EXPENDABLE TRUST FUNDS AND
DISCRETELY PRESENTED GOVERNMENTAL TYPE COMPONENT UNITS (CONTINUED)

For the Year Ended June 30, 2001

FIDUCIARY FUNDS Expendable Trust	Total Primary Government (Memorandum Only)	Governmental Type Component Units	Total Reporting Entity (Memorandum Only)
\$ -	\$ 470,862,466	\$ 4,000,000	\$ 474,862,466
-	237,202,797	50,532	237,253,329
-	97,697,363	2,236,084	99,933,447
-	12,746,125	400	12,746,525
5,762	21,122,245	2,356,775	23,479,020
-	314,758,177	-	314,758,177
-	14,414,164	-	14,414,164
-	47,195,450	2,296,950	49,492,400
-	4,415,442	493,941	4,909,383
2,121	9,451,915	-	9,451,915
207,022	207,022	-	207,022
951,407	1,964,339	-	1,964,339
1,166,312	1,232,037,505	11,434,682	1,243,472,187
-	23,780,866	-	23,780,866
-	17,128,581	-	17,128,581
-	39,377,240	-	39,377,240
-	140,935,478	-	140,935,478
-	67,145,761	-	67,145,761
-	5,890,959	-	5,890,959
-	354,787	-	354,787
-	12,758,996	-	12,758,996
-	28,794,563	-	28,794,563
-	11,815,438	-	11,815,438
-	30,886,707	-	30,886,707
-	27,826,667	-	27,826,667
-	44,796,706	-	44,796,706
-	12,533,657	-	12,533,657
-	9,713,025	-	9,713,025
-	339,942,525	-	339,942,525
-	2,460,845	-	2,460,845
-	19,827,681	-	19,827,681
-	40,097,147	-	40,097,147
-	11,123,039	-	11,123,039
-	7,713,085	-	7,713,085
-	3,334,699	-	3,334,699
-	24,471,645	-	24,471,645
-	3,145,621	-	3,145,621

The accompanying notes following the General Purpose Financial Statements are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUNDS, EXPENDABLE TRUST FUNDS AND
DISCRETELY PRESENTED GOVERNMENTAL TYPE COMPONENT UNITS (CONTINUED)

For the Year Ended June 30, 2001

	GOVERNMENTAL FUNDS			
	General	Special Revenue	Debt Service	Capital Projects
EXPENDITURES: (CONTINUED)				
Other funds:				
Personal services	\$ -	\$ 21,451,687	\$ -	\$ -
Contractual services	-	37,117,519	-	-
Supplies and materials	-	12,230,354	-	-
Other costs	-	2,729,048	-	19,975,722
Administrative services	-	-	-	-
Educational programs	-	544,731	-	-
Capital outlay	-	6,202,663	-	128,939,335
Debt service:				
Principal retirement	-	-	56,825,000	-
Interest	-	-	49,834,336	-
Fiscal charges	-	-	457,179	-
Total expenditures	464,026,406	542,105,314	107,116,515	148,915,057
Excess (deficiency) of revenues over expenditures	101,671,263	(9,774,149)	15,103,442	(138,292,655)
OTHER FINANCING SOURCES (USES):				
Proceeds from refunding bonds	-	-	73,745,000	-
Proceeds from the issuance of bonds	-	-	-	262,155,000
Payments to refunded bond escrow agent	-	-	(77,885,410)	-
Bond issue premium (discount)	-	-	4,620,921	15,158,085
Operating transfers in	7,517,128	45,110,728	17,020,103	3,291,564
Operating transfers out	(47,882,027)	(15,753,623)	(2,320,000)	(6,944,180)
Operating transfers from component units	501,200	439,796	2,800,000	-
Operating transfers to component units	(51,098,967)	(12,806,383)	(1,247,645)	(3,307,966)
Operating transfers from the primary government	-	-	-	-
Total other financing sources (uses)	(90,962,666)	16,990,518	16,732,969	270,352,503
Excess (deficiency) of revenues and other sources over expenditures and other uses	10,708,597	7,216,369	31,836,411	132,059,848
FUND BALANCE, beginning of year, restated	88,195,572	109,968,273	125,469,631	80,468,429
EQUITY TRANSFER IN	10,172	1,225,391	4,513,496	61,690,984
EQUITY TRANSFER FROM COMPONENT UNITS	1,136,313	-	-	-
EQUITY TRANSFER OUT	-	(1,235,563)	-	(66,204,480)
EQUITY TRANSFER TO THE PRIMARY GOVERNMENT	-	-	-	-
FUND BALANCE, end of year	\$ 100,050,654	\$ 117,174,470	\$ 161,819,538	\$ 208,014,781

The accompanying notes following the General Purpose Financial Statements are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUNDS, EXPENDABLE TRUST FUNDS AND
DISCRETELY PRESENTED GOVERNMENTAL TYPE COMPONENT UNITS (CONTINUED)

For the Year Ended June 30, 2001

FIDUCIARY FUNDS Expendable Trust	Total Primary Government (Memorandum Only)	Governmental Type Component Units	Total Reporting Entity (Memorandum Only)
\$ -	\$ 21,451,687	\$ 85,388	\$ 21,537,075
190,040	37,307,559	5,199,803	42,507,362
-	12,230,354	4,064	12,234,418
-	22,704,770	20,023,683	42,728,453
22,175	22,175	-	22,175
-	544,731	-	544,731
-	135,141,998	168,178	135,310,176
-	56,825,000	1,885,000	58,710,000
-	49,834,336	5,505,084	55,339,420
-	457,179	-	457,179
212,215	1,262,375,507	32,871,200	1,295,246,707
954,097	(30,338,002)	(21,436,518)	(51,774,520)
-	73,745,000	-	73,745,000
-	262,155,000	-	262,155,000
-	(77,885,410)	-	(77,885,410)
-	19,779,006	-	19,779,006
-	72,939,523	-	72,939,523
(229,931)	(73,129,761)	-	(73,129,761)
-	3,740,996	-	3,740,996
-	(68,460,961)	-	(68,460,961)
-	-	5,643,604	5,643,604
(229,931)	212,883,393	5,643,604	218,526,997
724,166	182,545,391	(15,792,914)	166,752,477
79,639	404,181,544	40,726,684	444,908,228
-	67,440,043	-	67,440,043
-	1,136,313	-	1,136,313
-	(67,440,043)	-	(67,440,043)
-	-	(1,136,313)	(1,136,313)
\$ 803,805	\$ 587,863,248	\$ 23,797,457	\$ 611,660,705

The accompanying notes following the General Purpose Financial Statements are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES, ENCUMBRANCES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND, GENERAL PURPOSE SCHOOL FUND AND DEBT SERVICE FUNDS
(NON-GAAP FOR GENERAL PURPOSE SCHOOL FUND)

For the Year Ended June 30, 2001

	GENERAL FUND			SPECIAL REVENUE FUNDS General Purpose School Fund		
	Budget	Actual	Over (Under) Budget	Budget	Actual	Over (Under) Budget
REVENUES:						
Property taxes	\$ 258,801,955	\$ 266,534,541	\$ 7,732,586	\$ 107,681,663	\$ 110,672,428	\$ 2,990,765
Local option sales tax	82,397,772	78,323,804	(4,073,968)	149,346,841	141,948,976	(7,397,865)
Other taxes, licenses and permits	72,849,086	78,457,620	5,608,534	2,552,575	2,895,255	342,680
Fines, forfeits and penalties	11,395,484	9,886,470	(1,509,014)	7,000	9,268	2,268
Revenues from the use of money or property	2,635,623	2,634,827	(796)	1,400,000	1,119,380	(280,620)
Revenues from other governmental agencies	96,392,308	93,730,534	(2,661,774)	140,714,120	139,362,129	(1,351,991)
Commissions and fees	7,805,376	13,516,675	5,711,299	-	-	-
Charges for current services	19,844,670	19,681,031	(163,639)	2,699,500	1,678,963	(1,020,537)
Compensation for loss, sale or damage to property	1,626,606	1,313,367	(313,239)	365,000	465,826	100,826
Contributions and gifts	501,337	844,515	343,178	1,556,054	1,365,339	(190,715)
Miscellaneous	503,400	774,285	270,885	-	12,621	12,621
Total revenues	554,753,617	565,697,669	10,944,052	406,322,753	399,530,185	(6,792,568)
EXPENDITURES AND ENCUMBRANCES						
Current:						
General government	23,623,962	23,780,866	156,904	-	-	-
Fiscal administration	17,771,635	17,128,581	(643,054)	-	-	-
Administration of justice	37,463,703	39,377,240	1,913,537	-	-	-
Law enforcement and care of prisoners	142,365,267	140,935,478	(1,429,789)	-	-	-
Fire prevention and control	68,498,439	67,145,761	(1,352,678)	-	-	-
Regulation and inspection	6,158,582	5,890,959	(267,623)	-	-	-
Conservation of natural resources	387,945	354,787	(33,158)	-	-	-
Public welfare	13,587,956	12,758,996	(828,960)	-	-	-
Public health	31,898,375	28,794,563	(3,103,812)	-	-	-
Public library system	13,841,929	11,815,438	(2,026,491)	-	-	-
Public works, highways and streets	32,431,614	30,886,707	(1,544,907)	-	-	-
Recreational and cultural	28,283,900	27,826,667	(457,233)	-	-	-
Employee benefits	46,458,550	44,796,706	(1,661,844)	-	-	-
Miscellaneous	15,859,466	12,533,657	(3,325,809)	-	-	-
Schools:						
Administration	-	-	-	4,749,530	4,651,078	(98,452)
Instruction	-	-	-	315,155,046	309,052,915	(6,102,131)
Attendance service	-	-	-	2,122,674	2,100,918	(21,756)
Pupil transportation	-	-	-	20,060,757	19,994,134	(66,623)
Plant operations	-	-	-	40,158,480	39,590,044	(568,436)
Plant maintenance	-	-	-	11,237,366	11,146,970	(90,396)
Fixed charges	-	-	-	7,823,848	7,715,223	(108,625)
Community services	-	-	-	1,425,062	1,350,732	(74,330)
Capital outlay	-	-	-	1,437,436	1,367,204	(70,232)

The accompanying notes following the General Purpose Financial Statements are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES, ENCUMBRANCES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND, GENERAL PURPOSE SCHOOL FUND AND DEBT SERVICE FUNDS
(NON-GAAP FOR GENERAL PURPOSE SCHOOL FUND)
(CONTINUED)
For the Year Ended June 30, 2001

DEBT SERVICE FUNDS General Purposes and School Purposes			TOTAL (MEMORANDUM ONLY)		
Budget	Actual	Over (Under) Budget	Budget	Actual	Over (Under) Budget
\$ 91,400,766	\$ 93,121,235	\$ 1,720,469	\$ 457,884,384	\$ 470,328,204	\$ 12,443,820
14,512,640	16,930,017	2,417,377	246,257,253	237,202,797	(9,054,456)
-	-	-	75,401,661	81,352,875	5,951,214
-	-	-	11,402,484	9,895,738	(1,506,746)
5,100,000	5,766,655	666,655	9,135,623	147,763,611	138,627,988
1,979,898	1,705,580	(274,318)	239,086,326	95,901,940	(143,184,386)
-	897,489	897,489	10,504,876	15,779,503	5,274,627
-	-	-	19,844,670	19,693,652	(151,018)
-	1,500,050	1,500,050	3,182,660	2,813,417	(369,243)
-	-	-	501,337	844,515	343,178
-	-	-	503,400	774,285	270,885
<u>112,993,304</u>	<u>119,921,026</u>	<u>6,927,722</u>	<u>1,073,704,674</u>	<u>1,082,350,537</u>	<u>8,645,863</u>
-	-	-	23,623,962	23,780,866	156,904
-	-	-	17,771,635	17,128,581	(643,054)
-	-	-	37,463,703	39,377,240	1,913,537
-	-	-	142,365,267	140,935,478	(1,429,789)
-	-	-	68,498,439	67,145,761	(1,352,678)
-	-	-	6,158,582	5,890,959	(267,623)
-	-	-	387,945	354,787	(33,158)
-	-	-	13,587,956	12,758,996	(828,960)
-	-	-	31,898,375	28,794,563	(3,103,812)
-	-	-	13,841,929	11,815,438	(2,026,491)
-	-	-	32,431,614	30,886,707	(1,544,907)
-	-	-	28,283,900	27,826,667	(457,233)
-	-	-	46,458,550	44,796,706	(1,661,844)
-	-	-	15,859,466	12,533,657	(3,325,809)
-	-	-	4,749,530	4,651,078	(98,452)
-	-	-	315,155,046	309,052,915	(6,102,131)
-	-	-	2,122,674	2,100,918	(21,756)
-	-	-	20,060,757	19,994,134	(66,623)
-	-	-	40,158,480	39,590,044	(568,436)
-	-	-	11,237,366	11,146,970	(90,396)
-	-	-	7,823,848	7,715,223	(108,625)
-	-	-	1,425,062	1,350,732	(74,330)
-	-	-	1,437,436	1,367,204	(70,232)

The accompanying notes following the General Purpose Financial Statements are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES, ENCUMBRANCES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND, GENERAL PURPOSE SCHOOL FUND AND DEBT SERVICE FUNDS
(NON-GAAP FOR GENERAL PURPOSE SCHOOL FUND)
(CONTINUED)

For the Year Ended June 30, 2001

	GENERAL FUND			SPECIAL REVENUE FUNDS General Purpose School Fund		
	Budget	Actual	Over (Under) Budget	Budget	Actual	Over (Under) Budget
EXPENDITURES AND ENCUMBRANCES: (CONTINUED)						
Debt Service:						
Principal retirement	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	-	-	-
Fiscal charges	-	-	-	-	-	-
Total expenditures and encumbrances	478,631,323	464,026,406	(14,604,917)	404,170,199	396,969,218	(7,200,981)
Excess (deficiency) of revenues over expenditures and encumbrances	76,122,294	101,671,263	25,548,969	2,152,554	2,560,967	408,413
OTHER FINANCING SOURCES (USES)						
Proceeds of refunding bonds	-	-	-	-	-	-
Payments to refunded bond escrow agent	-	-	-	-	-	-
Bond issue premium (discount)	-	-	-	-	-	-
Operating transfers in	8,031,381	7,517,128	(514,253)	949,970	859,402	(90,568)
Operating transfers out	(47,423,828)	(47,882,027)	(458,199)	(2,021,516)	(2,021,516)	-
Operating transfers from component units	258,744	501,200	242,456	-	-	-
Operating transfers to component units	(51,413,132)	(51,098,967)	314,165	(1,434,749)	(1,434,749)	-
Total other financing sources (uses)	(90,546,835)	(90,962,666)	(415,831)	(2,506,295)	(2,596,863)	(90,568)
Excess (deficiency) of revenues and other sources over expenditures, encumbrances and other uses	(14,424,541)	10,708,597	25,133,138	(353,741)	(35,896)	317,845
FUND BALANCE, beginning of year, restated	88,195,572	88,195,572	-	24,104,567	38,006,907	13,902,340
EQUITY TRANSFER IN	-	10,172	10,172	-	-	-
EQUITY TRANSFER FROM COMPONENT UNITS	-	1,136,313	1,136,313	-	-	-
FUND BALANCE, end of year	\$ 73,771,031	\$ 100,050,654	\$ 26,279,623	\$ 23,750,826	\$ 37,971,011	\$ 14,220,185

The accompanying notes following the General Purpose Financial Statements are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES, ENCUMBRANCES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND, GENERAL PURPOSE SCHOOL FUND AND DEBT SERVICE FUNDS
(NON-GAAP FOR GENERAL PURPOSE SCHOOL FUND)
(CONTINUED)

For the Year Ended June 30, 2001

DEBT SERVICE FUNDS General Purposes and School Purposes			TOTAL (MEMORANDUM ONLY)		
Budget	Actual	Over (Under) Budget	Budget	Actual	Over (Under) Budget
\$ 65,823,849	\$ 55,780,000	\$ (10,043,849)	\$ 65,823,849	\$ 55,780,000	\$ (10,043,849)
72,362,886	48,576,178	(23,786,708)	72,362,886	48,576,178	(23,786,708)
380,000	454,159	74,159	380,000	454,159	74,159
138,566,735	104,810,337	(33,756,398)	1,021,368,257	965,805,961	(55,562,296)
(25,573,431)	15,110,689	40,684,120	52,336,417	116,544,576	64,208,159
-	73,745,000	73,745,000	-	73,745,000	73,745,000
-	(77,885,410)	(77,885,410)	-	(77,885,410)	(77,885,410)
-	4,620,921	4,620,921	-	4,620,921	4,620,921
9,883,092	17,020,103	7,137,011	18,864,443	25,396,633	6,532,190
-	(2,320,000)	(2,320,000)	(49,445,344)	(52,223,543)	(2,778,199)
2,800,000	2,800,000	-	3,058,744	3,301,200	242,456
(1,211,737)	(1,247,645)	(35,908)	(54,059,618)	(53,781,361)	278,257
11,471,355	16,732,969	5,261,614	(81,581,775)	(76,826,560)	4,755,215
(14,102,076)	31,843,658	45,945,734	(29,245,358)	42,516,359	68,963,374
123,125,185	123,125,185	-	235,425,324	249,327,664	(13,902,340)
-	4,513,496	4,513,496	-	4,523,668	4,523,668
-	-	-	-	1,136,313	1,136,313
\$ 109,023,109	\$ 159,482,339	\$ 50,459,230	\$ 206,179,966	\$ 297,504,004	\$ 59,584,702

The accompanying notes following the General Purpose Financial Statements are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS/FUND BALANCE
PROPRIETARY FUND TYPES, NONEXPENDABLE TRUST FUNDS AND DISCRETELY PRESENTED PROPRIETARY
TYPE COMPONENT UNITS

For the Year Ended June 30, 2007

	Proprietary Fund Types	
	Enterprise Funds	Internal Service Funds
OPERATING REVENUES:		
Revenue from operations	\$ 162,483,306	\$ 77,594,310
Interest and dividend income	-	-
Gain (loss) on the sale of property	-	-
Other	6,366	568,628
Total operating revenues	<u>162,489,672</u>	<u>78,162,938</u>
OPERATING EXPENSES		
Personal services	39,829,794	8,349,430
Contractual services	28,520,783	8,926,020
Supplies and materials	5,905,483	5,549,885
Bad debt expense	747,946	-
Cost of sales and services	-	-
Cost of purchased power	-	-
Depreciation and amortization	43,956,023	4,179,598
Compensation for damages to property	-	2,021,509
Medical and insurance benefits	-	55,683,106
Administrative expenses	-	-
Other	2,432,260	1,484,198
Total operating expenses	<u>121,392,286</u>	<u>86,193,746</u>
OPERATING INCOME (LOSS)	<u>41,097,386</u>	<u>(8,030,808)</u>
NONOPERATING REVENUE (EXPENSE)		
Investment income	19,704,961	2,697,129
Interest expense	(34,780,624)	(28,424)
Arbitrage expense	(1,511,034)	-
Gain (loss) on sale of property	2,626	150,899
Revenue from other governmental agencies	-	-
Other	1,205,690	69,769
Total nonoperating revenue (expense)	<u>(15,378,381)</u>	<u>2,889,373</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS AND CAPITAL GRANTS AND CONTRIBUTIONS	<u>25,719,005</u>	<u>(5,141,435)</u>
OPERATING TRANSFERS IN	1,594,640	4,833,451
OPERATING TRANSFERS OUT	(497,943)	(4,701,759)
OPERATING TRANSFERS FROM COMPONENT UNITS	-	22,400
OPERATING TRANSFERS TO COMPONENT UNITS	-	(897,696)
OPERATING TRANSFERS FROM THE PRIMARY GOVERNMENT	-	-
OPERATING TRANSFERS TO THE PRIMARY GOVERNMENT	-	-
TOTAL OPERATING TRANSFERS	<u>1,096,697</u>	<u>(743,604)</u>
CAPITAL GRANTS AND CONTRIBUTIONS	<u>18,431,356</u>	<u>-</u>
NET INCOME (LOSS)	<u>45,247,061</u>	<u>(5,885,039)</u>
CREDIT ARISING FROM TRANSFER OF DEPRECIATION TO CONTRIBUTED CAPITAL	-	-
EXCESS OF REVENUES OVER EXPENDITURES FROM GOVERNMENTAL OPERATIONS	<u>-</u>	<u>-</u>
INCREASE (DECREASE) IN RETAINED EARNINGS/FUND BALANCE	45,247,061	(5,885,039)
RETAINED EARNINGS/FUND BALANCE, beginning of year, restated	405,900,157	41,501,184
EQUITY TRANSFER TO THE PRIMARY GOVERNMENT	-	-
RETAINED EARNINGS/FUND BALANCE, end of year	<u>\$ 451,147,218</u>	<u>\$ 35,616,145</u>

The accompanying notes following the General Purpose Financial Statements are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
 COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS/FUND BALANCE
 PROPRIETARY FUND TYPES, NONEXPENDABLE TRUST FUNDS AND DISCRETELY PRESENTED PROPRIETARY
 TYPE COMPONENT UNITS (CONTINUED)

For the Year Ended June 30, 200			
Fiduciary Funds Non- Expendable Trust	Total Primary Government (Memorandum Only)	Proprietary Type Component Units	Total Reporting Entity (Memorandum Only)
\$ -	\$ 240,077,619	\$ 881,952,407	\$ 1,122,030,026
61,134	61,134	-	61,134
(12,753)	(12,753)	-	(12,753)
-	574,994	264,289	839,283
<u>48,381</u>	<u>240,700,994</u>	<u>882,216,696</u>	<u>1,122,917,690</u>
-	48,179,224	-	48,179,224
250	37,447,053	-	37,447,053
-	11,455,368	-	11,455,368
-	747,946	-	747,946
-	-	417,669,835	417,669,835
-	-	581,276,376	581,276,376
224	48,135,845	66,123,005	114,258,850
-	2,021,509	-	2,021,509
-	55,683,106	-	55,683,106
4,816	4,816	-	4,816
44,000	3,960,458	-	3,960,458
<u>49,290</u>	<u>207,635,325</u>	<u>1,065,069,216</u>	<u>1,272,704,541</u>
(909)	33,065,669	(182,852,520)	(149,786,851)
-	22,402,090	17,237,998	39,640,088
-	(34,809,048)	(50,984,214)	(85,793,262)
-	(1,511,034)	-	(1,511,034)
-	153,525	(38,523)	115,002
-	-	141,638,038	141,638,038
-	1,275,459	16,893,367	18,168,826
<u>-</u>	<u>(12,489,008)</u>	<u>124,746,666</u>	<u>112,257,658</u>
(909)	20,576,661	(58,105,854)	(37,529,193)
-	6,428,091	-	6,428,091
-	(5,199,702)	-	(5,199,702)
-	22,400	-	22,400
-	(897,696)	-	(897,696)
-	-	63,715,053	63,715,053
<u>-</u>	<u>-</u>	<u>(4,293,396)</u>	<u>(4,293,396)</u>
-	353,093	59,421,657	59,774,750
-	18,431,359	10,291,019	28,722,378
(909)	39,361,113	11,606,822	50,967,935
-	-	11,296,713	11,296,713
-	-	545,862	545,862
(909)	39,361,113	23,449,397	62,810,510
1,608,119	449,009,460	306,361,897	755,371,357
-	-	(82,161)	(82,161)
<u>\$ 1,607,210</u>	<u>\$ 488,370,573</u>	<u>\$ 329,729,133</u>	<u>\$ 818,099,706</u>

The accompanying notes following the General Purpose Financial Statements are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

COMBINED STATEMENT OF CHANGES IN PLAN NET ASSETS
FIDUCIARY FUNDS
PENSION TRUST FUNDS

For the Year Ended June 30, 2001

ADDITIONS:	
Investment income:	
Interest and dividend income	\$ 32,976,287
Net depreciation of investments	(186,088,478)
Miscellaneous	138,989
Total investment income (loss)	(152,973,202)
Less investment expenses	(5,972,350)
Net investment income (loss)	(158,945,552)
Contributions:	
Employee contributions	2,167,462
Employer contributions	59,975,010
Operating transfers in	81,527
Contributions from the State of Tennessee	19,985,245
Total contributions	82,209,244
Total additions	(76,736,308)
DEDUCTIONS:	
Pension benefits	107,017,950
Refunds of contributions	345,467
Administrative expenses	4,327,220
Operating transfers out	1,119,678
Total deductions	112,810,315
NET INCREASE (DECREASE)	(189,546,623)
FUND BALANCE RESERVED FOR EMPLOYEES'	
PENSION BENEFITS, beginning of year	1,716,499,523
FUND BALANCE RESERVED FOR EMPLOYEES'	
PENSION BENEFITS, end of year	\$ 1,526,952,900

The accompanying notes following the General Purpose Financial Statements are an integral part of this financial statement.



THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPES, NONEXPENDABLE TRUST FUNDS AND DISCRETELY PRESENTED PROPRIETARY TYPE COMPONENT UNITS

For the Year Ended June 30, 2001

	Proprietary Fund Types		Fiduciary Funds
	Enterprise Funds	Internal Service Funds	Non-Expendable Trust
Cash flows from operating activities:			
Operating income (loss)	\$ 41,097,386	\$ (8,030,808)	\$ (909)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	43,956,023	4,179,598	224
Amortization of deferred rental income	-	-	-
Provision for bad debt	-	-	-
Loss (gain) on sale of property, plant and equipment	-	-	-
Interest income	-	-	(61,134)
Other nonoperating revenue (expense)	1,205,690	69,769	-
Changes in assets and liabilities:			
Changes in accounts receivable - net	6,223,172	1,350,370	-
Changes in due from other funds of the primary government	(457,044)	550,457	3,563
Changes in due from the primary government	-	-	-
Changes in due from component units	(2,612)	13,926	-
Changes in inventories of supplies	9,348	58,676	-
Changes in other current assets	(36,900)	(536,184)	-
Changes in notes receivable	-	-	-
Changes in other non-current assets	-	-	-
Changes in accounts payable	637,967	(3,127,731)	-
Changes in accrued payroll	218,699	15,503	-
Changes in claims payable	-	743,877	-
Changes in due to other funds of the primary government	(609,837)	1,030,383	-
Changes in due to the primary government	-	-	-
Changes in due to component units	15,119	61,586	-
Changes in customer deposits	123,564	-	-
Changes in other current liabilities	(149,361)	200,907	-
Changes in TVA advances	-	-	-
Changes in other long-term liabilities	-	-	-
Total adjustments	51,133,828	4,611,137	(57,347)
Net cash provided by (used in) operating activities	92,231,214	(3,419,671)	(58,256)
Cash flows from noncapital financing activities:			
Operating transfers in	1,594,640	4,833,451	-
Operating transfers out	(497,943)	(4,701,759)	-
Operating transfers from component units	-	22,400	-
Operating transfers to component units	-	(897,696)	-
Operating transfers from the primary government	-	-	-
Operating transfers to the primary government	-	-	-
Revenue from other governmental agencies	-	-	-
Net cash provided by (used in) noncapital financing activities	1,096,697	(743,604)	-

Non-Cash Capital and Related Financing Activities:

The Department of Water and Sewerage Services acquired property, plant and equipment of \$3,657,232 which were recorded as capital grants and contributions for the construction of portions of the utility plant and land contributed by the Government.

The Radio Shop transferred property, plant and equipment of \$22,968,193 to the general government which was recorded as a reduction of contributed capital.

The Metropolitan Development and Housing Agency had equity transfers of \$82,161, received contributions of fixed assets of \$50,000, and added accrued interest to notes payable of \$2,272,092.

The Electric Power Board charged \$12,036,605 to accumulated depreciation representing the cost of retired utility plant and \$75,942 to interest expense for amortization of bond discounts. Also, \$574,917 was charged as amortization of the bond issuance costs.

The accompanying notes following the General Purpose Financial Statements are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPES, NONEXPENDABLE TRUST FUNDS AND DISCRETELY PRESENTED PROPRIETARY TYPE COMPONENT UNITS
(CONTINUED)
For the Year Ended June 30, 2001

Total Primary Government (Memorandum Only)	Proprietary Type Component Units	Total Reporting Entity (Memorandum Only)
\$ 33,065,669	\$ (182,852,520)	\$ (149,786,851)
48,135,845	66,123,005	114,258,850
-	(59,271)	(59,271)
-	578,888	578,888
-	(359,867)	(359,867)
(61,134)	-	(61,134)
1,275,459	4,608,034	5,883,493
7,573,542	3,703,402	11,276,944
96,976	-	96,976
-	562,076	562,076
11,314	34,866	46,180
68,024	2,028,391	2,096,415
(573,084)	(1,068,013)	(1,641,097)
-	(4,464,843)	(4,464,843)
-	(113,364)	(113,364)
(2,489,764)	5,030,582	2,540,818
234,202	(6,785,047)	(6,550,845)
743,877	-	743,877
420,546	-	420,546
-	(12,521,250)	(12,521,250)
76,705	(34,866)	41,839
123,564	(54,820)	68,744
51,546	19,618,371	19,669,917
-	(685,654)	(685,654)
-	(3,729,361)	(3,729,361)
55,687,618	72,411,259	128,098,877
88,753,287	(110,441,261)	(21,687,974)
6,428,091	-	6,428,091
(5,199,702)	-	(5,199,702)
22,400	-	22,400
(897,696)	-	(897,696)
-	63,715,053	63,715,053
-	(3,763,396)	(3,763,396)
-	139,677,601	139,677,601
353,093	199,629,258	199,982,351

Non-Cash Capital and Related Financing Activities:

The Metropolitan Transit Authority paid \$47,009 of interest expense.

The Metropolitan Nashville Airport Authority charged \$3,183,379 to interest expense for amortization of deferred bond issue costs, amortization of deferred loss on refunding of debt, and accretion of the synthetic advance refunding. \$382,671 is included in interest income related to the amortization of deferred interest income.

The Industrial Development Board transferred \$530,000 to reverse a receivable with the primary government.

The accompanying notes following the General Purpose Financial Statements are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
 COMBINED STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPES, NONEXPENDABLE TRUST FUNDS AND DISCRETELY PRESENTED PROPRIETARY TYPE COMPONENT UNITS
 (CONTINUED)
 For the Year Ended June 30, 2001

	Proprietary Fund Types		Fiduciary Fund Types
	Enterprise Funds	Internal Service Funds	Non-Expendable Trust
Cash flows from capital and related financing activities:			
Changes in other restricted assets	\$ 250,001	\$ -	\$ -
Changes in short term contracts payable	(2,735,090)	-	-
Receipt of funds held in trust	-	-	-
Changes in other restricted liabilities	(4,569,429)	-	-
Changes in due to other funds of the primary government for capital acquisition	(200,400)	-	-
Acquisition of property, plant and equipment	(42,684,831)	(6,368,984)	-
Proceeds from the sale of property, plant and equipment	49,406	1,960,627	-
Proceeds from borrowings	-	-	-
Cash from governmental operations	-	-	-
Utility plant removal costs	-	-	-
Proceeds from borrowings	4,585,229	-	-
Payments on borrowings	(19,910,648)	(169,483)	-
Net increase in deferred bond issue costs	-	-	-
Purchase of bond refunding escrow investments	-	-	-
Special funds used to retire bonds	-	-	-
Interest paid	(34,204,445)	(28,424)	-
Arbitrage rebate paid	(261,036)	-	-
Changes in other non-current assets	-	-	-
Capital grants received	14,774,127	-	-
Receipt of passenger facility charges	-	-	-
Net cash provided by (used in) capital and related financing activities	(84,907,116)	(4,606,264)	-
Cash flows from investing activities:			
Purchases of investments	(553,544,851)	(117,024,181)	(291,277)
Proceeds from the sale and maturities of investment securities	543,170,277	121,659,670	325,331
Interest on investments	19,814,785	2,757,953	65,786
Issuance of notes receivable	-	-	-
Payments on notes receivable	-	-	-
Net cash provided by (used in) investing activities	9,440,211	7,393,442	99,840
Net Changes in cash and cash equivalents	17,861,006	(1,376,097)	41,584
Cash and cash equivalents at beginning of year, restated	99,820,506	24,108,935	217,030
Cash and cash equivalents at end of year	\$ 117,681,512	\$ 22,732,838	258,614
Other Fiduciary Fund Types:			
Cash and cash equivalents, June 30, 2001			
Expendable Trust Funds			442,446
Pension Funds			77,692,461
Agency Funds			33,372,596
Cash and cash equivalents - Fiduciary Fund Types per Combined Balance Sheet			\$ 111,766,117

The accompanying notes following the General Purpose Financial Statements are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
 COMBINED STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPES, NONEXPENDABLE TRUST FUNDS AND DISCRETELY PRESENTED PROPRIETARY TYPE COMPONENT UNITS
 (CONTINUED)
 For the Year Ended June 30, 2001

Total Primary Government (Memorandum Only)	Proprietary Type Component Units	Total Reporting Entity (Memorandum Only)
\$ 250,001	\$ -	\$ 250,001
(2,735,090)	-	(2,735,090)
-	30,650	30,650
(4,569,429)	-	(4,569,429)
(200,400)	-	(200,400)
(49,053,815)	(105,068,266)	(154,122,081)
2,010,033	1,022,068	3,032,101
-	38,640	38,640
-	(4,334,409)	(4,334,409)
4,585,229	241,996,797	246,582,026
(20,080,131)	(39,736,295)	(59,816,426)
-	(2,099,300)	(2,099,300)
-	(20,269,657)	(20,269,657)
-	370,016	370,016
(34,232,869)	(40,703,754)	(74,936,623)
(261,036)	-	(261,036)
-	(573,553)	(573,553)
14,774,127	23,399,749	38,173,876
-	12,045,465	12,045,465
<u>(89,513,380)</u>	<u>66,118,151</u>	<u>(23,395,229)</u>
(670,860,309)	(390,630,032)	(1,061,490,341)
665,155,278	319,097,334	984,252,612
22,638,524	14,278,286	36,916,810
-	(125,000)	(125,000)
-	946,424	946,424
<u>16,933,493</u>	<u>(56,432,988)</u>	<u>(39,499,495)</u>
16,526,493	98,873,160	115,399,653
<u>124,146,471</u>	<u>89,155,885</u>	<u>213,302,356</u>
<u>\$ 140,672,964</u>	<u>\$ 188,029,045</u>	<u>\$ 328,702,009</u>

The accompanying notes following the General Purpose Financial Statements are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Metropolitan Government of Nashville and Davidson County (the Government) operates under a metropolitan form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, health and social services, culture and recreation, education, public improvements, planning and zoning and general administrative services.

The accounting policies of the Government conform to accounting principles accepted generally in the United States of America. The following is a summary of the most significant policies:

Financial reporting entity - The financial statements of the Government present the primary government and its component units. The component units discussed below are included in the Government's reporting entity because of the significance of their operational or financial relationships with the Government. The discretely presented component units are reported in a separate column in the combining financial statements to emphasize that they are legally separate from the Government.

The financial statements of the following component units have been discretely presented:

The Nashville District Management Corporation was established in 1998 to administer special assessment revenue collected by the Government for the benefit of the Central Business Improvement District. The Corporation's duties and responsibilities are defined in a memorandum of agreement with the Government and include, but are not limited to providing services for improvement and operation of the District through security enhancement, downtown marketing, and improving downtown beautification, sanitation and maintenance. The original agreement was one year, renewable annually by mutual notification by each party to the other. The agreement may be terminated by the Government upon thirty days notice. Complete financial statements of the Corporation can be obtained from its offices at Accounting Office, 211 Commerce Street, Suite 100, Nashville, TN 37201.

The Sports Authority was established in 1995 to act as the financing and building authority for both the Nashville Arena and NFL Stadium. The Sports Authority administers and manages sports projects for the Government. The Government is responsible for the annual funding for both the Nashville Arena and NFL Stadium. The underlying credit for the Sports Authority Revenue bonds is a pledge on the non-tax revenues of the Government's General Fund. The Sports Authority does not issue separate financial statements.

The Hospital Authority operates General Hospital (a full service medical facility) and Bordeaux Hospital (a long-term care facility) for the residents of Nashville and Davidson County. The Hospital Authority was created in March 1999 to operate both hospitals, which were previously accounted for as enterprise funds of the Government. Members of the Hospital Authority are appointed by the Government and can be removed by the Government. The Government approves and can modify the annual operating budget of each hospital. Hospital Authority land and buildings and improvements are in the Government's name. Both hospitals are financially dependent on contributions from the Government's General Fund. Complete financial statements for each hospital can be obtained by writing to the Hospital Authority at 1818 Albion Street, Nashville, TN 37208.

The Metropolitan Development and Housing Agency operates public housing facilities for the inhabitants of Nashville and Davidson County. The Agency is governed by a board of commissioners who are all appointed and confirmed by the Government. All board members can also be removed by the Government. The Agency receives incremental taxes that result from tax increment financing arrangements on numerous development projects. These property taxes paid to the Agency are considered financial support by the Government. Complete financial statements of the Agency can be obtained by writing P. O. Box 846, Nashville, TN 37202.

The Electric Power Board operates and regulates an electric power system for the purpose of supplying electricity for public property and for resale to consumers. The Board of Directors and the general manager are appointed by the Government. The Government is required to approve debt issuance of the Board. The Government believes the nature and significance of its relationship with the Electric Power Board is such that exclusion would cause these financial statements to be misleading. Complete financial statements of the Board can be obtained from its administrative offices at 1214 Church Street, Nashville, TN 37203.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Metropolitan Transit Authority operates and regulates the public mass transit system in Nashville and Davidson County. The Authority is governed by a board of directors who are all appointed and can be removed by the Government. The Authority must act on ordinances passed by the Government, and the Authority is financially dependent on the Government. Complete financial statements of the Authority can be obtained from its administrative offices at 130 Nestor Street, Nashville, TN 37210.

The Nashville Thermal Transfer Corporation is a not-for-profit corporation that provides low cost heating and cooling to the Government and downtown businesses. The Corporation is governed by a board of directors who are all appointed and can be removed by the Government. The debt of the Corporation is issued in the Government's name, all properties of the Corporation are in the name of the Government, and the Corporation is financially dependent on the Government. Complete financial statements of the Corporation can be obtained from its administrative offices at 110 First Avenue South, Nashville, TN 37210.

The Metropolitan Nashville Airport Authority operates the Nashville International and John C. Tune Airports. The Airport Authority is governed by a board of directors who are all appointed and can be removed by the Government. The Government believes the nature and significance of its relationship with the Airport Authority is such that exclusion would cause these financial statements to be misleading. Complete financial statements of the Airport Authority can be obtained from its administrative offices at One Terminal Drive, Nashville, TN 37214.

The Emergency Communications District is engaged to secure and provide efficient emergency services to the public. The District is governed by a board of directors who are appointed by the Government. The District provides equipment for the Government's use in emergency services. Complete financial statements of the District can be obtained from its administrative offices at 700 2nd Avenue South, Nashville, TN 37210.

The Industrial Development Board (the IDB) assists private businesses within Davidson County to obtain public financing through the issuance of nontaxable bonds. The members of the IDB are appointed and can be removed by the Government. All debt of the IDB is considered conduit debt and is issued in the name of the Government. Complete financial statements of the IDB can be obtained from its administrative offices at 2021 North Gallatin Road, Suite 132, Madison, TN 37115.

All discretely presented component units have a June 30 fiscal year end with the exception of the Metropolitan Development and Housing Agency which has a September 30 year end and the Industrial Development Board which has a March 31 year end.

Basis of presentation - The general purpose financial statements are structured into three categories of fund types (governmental, proprietary and fiduciary), a fourth type of accounting entity (account groups) and component units.

The governmental fund types include:

1. General Fund - used to account for all financial resources and activities relating to the general operations of the Government which are not required to be accounted for in another fund;
2. Special revenue funds - used to account for specific revenues designated to finance the operations of the Metropolitan Board of Education and for specific revenues utilized in carrying out the special terms of statutes, ordinances, grant requirements or other governing regulations;
3. Debt service funds - used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest; and
4. Capital projects funds - used to account for financial resources used for the acquisition or construction of all major capital facilities used in governmental fund type operations.

The proprietary fund types include:

1. Enterprise funds - used to account for the operations of self-sustaining agencies rendering services to the general public on a user-charge basis; and
2. Internal service funds - used to account for the operations of self-sustaining agencies rendering services to other agencies of the Government on a cost reimbursement basis.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The fiduciary fund types include:

1. Expendable trust funds - used to account for expendable assets held by the Government in a fiduciary capacity;
2. Nonexpendable trust funds - used to account for assets held by the Government in a fiduciary capacity which have legal restrictions on the corpus;
3. Pension funds - used to account for assets and liabilities held by the Government in a fiduciary capacity for employees and former employees of the Government; and
4. Agency funds - used to account for assets held by elected officials and the Government as agents for individuals, governmental entities and others.

The account groups include:

1. General Fixed Assets Account Group - used to account for fixed assets used in governmental fund type operations; and
2. General Long-term Debt Account Group - used to account for the principal on all outstanding debt and other long-term obligations, such as compensated absences and unfunded pension costs, except obligations secured by revenues of the proprietary funds.

The component units include:

1. Governmental types - used to account for component units which derive their funding primarily from other governments or from donations; and
2. Proprietary types - used to account for component units which derive their funding primarily through user fees and charges.

Basis of accounting - The General Fund, special revenue funds, debt service funds, capital projects funds and expendable trust funds are accounted for using a current financial resources measurement focus under the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities are included on the balance sheet. The statements of revenues, expenditures and changes in fund balances of these funds present increases and decreases in net current assets. Revenues are recognized when considered measurable and available as net current assets. Revenues are generally considered measurable when the amount can be determined and available if received within 60 days of fiscal year end. Grant revenue is recognized during the period when all applicable eligibility requirements have been met and the resources are available. Grant proceeds received prior to the period when eligibility requirements are met are recorded as deferred revenue. Property and sales tax revenues are accrued for 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred because they are not expected to be liquidated with expendable available financial resources, exceptions to this rule include:

1. Interest on long-term debt, which is recognized when due;
2. Accumulated non-vested sick pay, which is not accrued;
3. Compensated absences, which are recorded in the General Long-term Debt Account Group;
4. Expenditures related to long-term liabilities, which are recorded in the General Long-term Debt Account Group; and
5. Expenditures related to other commitments and contingencies, including landfill closure costs, which are recorded in the General Long-term Debt Account Group.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

All enterprise funds, internal service funds, nonexpendable trust funds and pension funds are accounted for on a flow of economic resources measurement focus using the accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included in the balance sheet. Fund equity is segregated into contributed capital and retained earnings for the proprietary funds. The proprietary and nonexpendable trust funds' statements of revenues, expenses and changes in retained earnings/fund balance and the pension funds' statement of changes in plan net assets present increases and decreases in net total assets. Revenues are recognized when earned, and expenses are recognized when incurred.

In accordance with GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, the Government has elected not to apply any Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989.

Agency funds are accounted for under the modified accrual basis of accounting. These funds are custodial in nature and do not involve measurement of results of operations.

Interfund transfers are recognized when the related interfund receivable and payable arise.

Budgets and budgetary accounting - The Government's procedures in establishing the budget as reflected in the general purpose financial statements are as follows:

1. The Director of Finance annually obtains information from all officers, departments, boards, commissions and other agencies of the Government for which appropriations are made and/or revenues are collected and compiles the annual operating budget for the ensuing fiscal year beginning July 1. The compiled information, including various expenditure options and the means of financing them, is submitted to the Mayor for review.
2. The Mayor, with the assistance of the Department of Finance, determines the programs to be recommended to the Metropolitan Council, the expenditures proposed to operate those programs and the revenue changes needed to fund those expenditures. That information is compiled into a balanced operating budget which is submitted to the Metropolitan Council by May 25.
3. Copies of the Mayor's proposed budget and budget message are distributed to interested persons, and a summary of the budget is published in the area daily newspaper. The budget is a public record open for public inspection.
4. The Metropolitan Council's Budget and Finance Committee holds hearings with the officers, departments, boards, commissions and other agencies to explore the impact of the recommended operating budget and to explore other departmental budget options. In addition, advertised public hearings are held to obtain taxpayers' comments prior to final passage.
5. The budget is legally enacted effective July 1 through passage of an ordinance by the Metropolitan Council. In no event shall the total appropriations for any fund included in the budget exceed the estimated revenues and fund balance.
6. The amounts in the adopted operating budgets for each organizational unit, purpose or activity constitute the annual appropriation for such items, and no expenditure can be made which will result in the annual appropriation being exceeded unless an additional appropriation is made.
7. The Metropolitan Council may make appropriations in addition to those contained in the current operating budgets, but any such additional appropriations may be made only from an existing unappropriated surplus in the fund to which it applies.
8. The Mayor may transfer the available balance of any appropriation for any purpose to the appropriation for any other purpose within the same department, or, by resolution approved by the Metropolitan Council, the available balance of any appropriation may be transferred to another appropriation within the same section of the budget and within the same fund.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

9. All available balances of appropriations in the current operating budget lapse into the fund balance of the fund or funds from which the appropriations were originally made at the end of the fiscal year. Encumbrances do not lapse at the end of the fiscal year and are reserved for subsequent year expenditures.

Budgeted amounts shown are those originally adopted, as amended by the Metropolitan Council and as adjusted pursuant to the transfer provisions of the budget ordinance. During the year, supplementary appropriations were made to the General Services District of the General Fund of \$7,942,692.

The Government is legally required to prepare, and the Metropolitan Council is required to approve, the annual budgets of the General Fund, the General Purpose School Fund and the General Purposes and School Purposes Debt Service Funds. In preparing the budgets, the Government utilizes generally accepted accounting principles (GAAP) for the General and Debt Service Funds. The encumbrance method of budgeting is used for the General Purpose School Fund, in which encumbrances are recorded as though they are expenditures, which differs from GAAP.

The operating budget treats transfers to and from all budgeted funds as revenues and expenditures of those funds.

In accordance with Article 6 of the Metropolitan Charter, the Annual Operating Budget of the Government for the fiscal year 2001-2002 was submitted to the Metropolitan Council and subsequently approved by Substitute Bill Number O01-707. Unreserved and undesignated fund balance resources at June 30, 2001 have been appropriated to the 2001-2002 fiscal year operating budget as follows:

General Services District General Fund	\$7,666,085
Urban Services District General Fund	2,466,720
General Services District General Purposes Debt Service Fund	11,026,863
General Services District School Purposes Debt Service Fund	14,470,856
Urban Services District General Purposes Debt Service Fund	2,241,927

Encumbrances – Encumbrances outstanding at year end are reported as reservations of fund balance for subsequent year expenditures. Encumbrance accounting is not utilized for budgetary control purposes for the General and Debt Service Funds. Information regarding the encumbrances of those funds is available to assist in the management of commitments against appropriations. Encumbrance accounting is utilized for budgetary control purposes for the General Purpose School Fund and is reflected in the General Fund, General Purpose School Fund and Debt Service Funds Combined Statement of Revenues, Expenditures, Encumbrances and Changes in Fund Balances – Budget and Actual for that fund. Encumbrances, however, are not treated as expenditures in the general purpose financial statements, except for the General Purpose School Fund in the aforementioned statement comparing budgeted amounts to actual amounts.

Estimates - Estimates used in the preparation of financial statements require management to make assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents - Cash and cash equivalents include amounts in demand deposits and highly liquid short-term investments with maturity dates within three months of the date of acquisition. Investment income earned on funds invested in pooled accounts is allocated to the respective funds on the basis of relative balances.

Investments - Investments, except in the pension funds, consist primarily of U.S. Government securities and are stated at fair value. Pension fund investments, which also include common stocks, bonds and U.S. Government and other domestic and foreign securities, are stated at quoted fair value at June 30, 2001. The Government and certain component units also invest in the Tennessee Local Government Investment Pool which is maintained and managed by the State of Tennessee. This Pool is not registered with the Securities and Exchange Commission ("SEC") but does operate in a manner consistent with SEC's Rule 2a7 of the Investment Company Act of 1940. Accordingly, the Government's investments in the Pool have been determined based on the Pool's share price. Investment income of the capital projects funds is reported in those funds and is transferred to the debt service funds after arbitrage calculations, as applicable.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories - Inventories, principally materials, supplies and replacement parts, are valued at cost in governmental funds and at the lower of cost or market in proprietary funds, with cost determined using the first-in, first-out, moving weighted average or average cost method. Inventory items are recorded as expenditures when used under the consumption method.

Tennessee Valley Authority (TVA) Energy Conservation Program - The Electric Power Board is a fiscal intermediary for the TVA energy conservation programs whereby loans are made to the Board's customers to be used in connection with TVA's Residential Energy Services Program. Pursuant to the terms of an agreement with TVA, the energy conservation loans made to the Board's customers are funded and guaranteed by TVA. These loans are recorded as notes receivable.

Property, plant and equipment - Property, plant and equipment of the proprietary and nonexpendable trust funds are recorded at historical cost or appraised market value at the time of acquisition. Net interest cost incurred during the construction of facilities is capitalized as part of the cost of such facilities. Depreciation is provided on the straight-line method over the estimated useful lives of the respective assets. The estimated useful lives are as follows:

Utility plant in service	7	-	100	years
Buildings and improvements	3	-	50	years
Improvements other than buildings	20	-	100	years
Office furniture and equipment	3	-	10	years
Machinery and equipment	3	-	50	years

Property under capital leases is stated at the lower of the present value of minimum lease payments or the fair market value at the inception of the lease. Once placed in use, such property is amortized on the straight-line method over the lesser of the economic useful life of the asset or the remaining lease term.

Fixed assets used in governmental fund operations and expendable trust funds are accounted for in the General Fixed Assets Account Group. No depreciation has been provided on these assets. Public domain general fixed assets (infrastructure) consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems, are not recorded. All fixed assets used in governmental fund operations and expendable trust funds are valued at historical cost or estimated historical cost if actual historical cost is not available. Current acquisitions of donated property are recorded at appraised market value at time of acquisition.

Claims payable - Losses for claim liabilities are recorded in the self-insurance funds. Claims payable include reported claims and an estimated liability for claims incurred but not reported at June 30, 2001. The claims liabilities are based on the estimated cost of settling the claim, using past experience and adjusting for current conditions. Losses for uninsured judgments against the Government payable from governmental funds not expected to be liquidated with expendable available resources are recorded in the General Long-term Debt Account Group.

Annuities - Annuities are recorded at the estimated present value of future benefits, which approximates fair value at June 30, 2001.

Grants - The Government receives grant revenues from various federal, state and non-profit agencies. As required by GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions, the Government reports capital contributions, including capital grants, in the statement of revenues, expenses, and retained earnings as a separate line item after non-operating revenues and expenses, rather than as direct additions to contributed capital. Depreciation reported on fixed assets purchased or constructed with funds contributed by agencies of local, state and federal governments is recognized as a reduction of contributed capital rather than retained earnings for proprietary type component units.

Pass-through grant proceeds - Capital and operating grant amounts received on behalf of secondary recipients are reported in agency funds.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Passenger facility charges – On January 1, 1993, the airlines began collecting a Passenger Facility Charge (“PFC”) on qualifying enplaning passengers at Nashville International Airport on behalf of the Airport Authority. PFC’s are fees imposed on enplaning passengers by airports to finance eligible airport related projects that preserve or enhance safety, capacity, or security of the national air transportation system, reduce noise from an airport that is part of such system, or furnish opportunities for enhanced competition between or among air carriers. Both the fee and intended projects must be reviewed and approved by the Federal Aviation Administration (“FAA”). The fee can be set at \$1, \$2, or \$3 per enplaning passenger.

The Authority received approval to impose a \$3 PFC. The following project summary has been approved by the FAA:

Airport development	\$	71,333,600
Terminal development		38,693,300
Land acquisition		<u>22,727,200</u>
	\$	<u>132,754,100</u>

Effective April 5, 2000, public agencies may qualify to charge PFC fees of \$4.00 or \$4.50 provided that the additional criterion for approval are met. PFC’s are recorded as non-operating revenue.

Compensated absences - The liability for compensated absences is recorded when future payments for such absences have been earned by employees.

General policy of the Metropolitan Civil Service Commission permits the accumulation, within certain limitations, of unused vacation days and sick leave. Vacation days may accumulate to an amount equal to three times the current annual vacation accrual rate. Although sick pay may accumulate, no amounts are vested in the event of employee termination. Accumulated unpaid vacation pay related to governmental fund type operations is recorded in the General Long-term Debt Account Group because it is not expected to be liquidated with expendable available resources. Accumulated unpaid vacation pay related to proprietary fund type operations is recorded as a liability in the appropriate individual proprietary funds and proprietary type component units.

The policy of the Metropolitan Board of Education allows employees to accumulate sick leave without limitation. In addition, the Board allows vesting of accumulated sick leave depending on length of service beyond 15 years. Vested sick leave for Metropolitan Board of Education employees is recorded in the General Long-term Debt Account Group because it is not expected to be liquidated with expendable available resources.

Arbitrage rebates – For governmental fund types, any liability for arbitrage rebates due to the federal government under the Internal Revenue Code of 1986, as amended, for excess earnings on invested proceeds of tax exempt securities is recorded in the General Long-term Debt Account Group and as a reservation of fund balance in each related debt service fund. For proprietary fund types (including component units) any such rebates are reflected as liabilities.

Unbilled revenues and purchased power liability – Revenues from the Department of Water and Sewerage Services are recognized from meters read on a monthly cycle basis. At the end of each month, an estimate of service rendered from the latest date of each meter-reading cycle to month end is accrued and included in accounts receivable. The amount accrued at June 30, 2001 is \$7,488,629. Revenues of the Electric Power Board are recognized from meters read on a monthly cycle basis. At the end of each month, service rendered from the latest date of each meter-reading cycle to month end is accrued and included in accounts receivable. The Board purchases electric power from the TVA. The cost of purchased power is calculated based on retail billing units adjusted for estimated line losses. The Board accrues for unbilled purchased power based on retail billing units.

Property taxes - The Government’s property taxes are levied for the current fiscal year and recorded as taxes receivable each September 1 on the assessed value listed as of the prior January 1 for all real and personal property located in Nashville and Davidson County. Property taxes are secured by a statutory lien effective as of the original assessment date of January 1 and as such an enforceable legal claim to the subsequent fiscal year levy exists at fiscal year end. In accordance with state law, the real property assessment includes supplemental assessments made through September 1 for improved, demolished or damaged property.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assessed values are established by the State of Tennessee at the following percentages of assessed market value:

- Public utility property	55%	(Railroads and certain telecommunication services at 40%)
- Industrial and commercial property		
- Real	40%	
- Personal	30%	
- Farm and residential property	25%	

Taxes are levied at a rate of \$3.29 per \$100 of assessed value for the entire metropolitan area (General Services District) with an additional tax of \$.95 per \$100 of assessed value levied upon properties within the Urban Services District.

Payments are due by February 28 and are delinquent on March 1 of the following year. Property taxes receivable have been included in the combined balance sheet with offsetting deferred revenue to reflect amounts not available at June 30, 2001. Amounts available at June 30, 2001 have been recorded as revenue. Current tax collections of \$432,592,562 for the fiscal year ended June 30, 2001 were approximately 96% of the tax levy.

Of the \$601,017,355 property tax receivable, \$573,575,800 represents the 2001 property taxes which are not yet levied but recorded as required by GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions. Other tax revenues such as payment in lieu of taxes are also recorded as property tax revenue.

Accounting for landfills - State and federal laws and regulations require the Government to place a final cover on all its landfill sites when they stop accepting waste, and to perform certain maintenance and monitoring functions at the sites for thirty years after closure. Although closure and postclosure care costs will be paid only near, or after, the date the landfill stops accepting waste, the Government is required to report a portion of these closure and postclosure care costs as an operating expenditure in each period of operation. This expenditure is based on landfill capacity used at the balance sheet date. The current operations of the landfills are reported in the Solid Waste Operations Fund in the special revenue fund section of this report. The long term liability is included in the other obligations payable for general purposes section of the General Long-term Debt Account Group for the General Services District. The total liability for landfill purposes is \$3,656,068.

Bordeaux Sanitary Landfill - This landfill has stopped accepting solid waste, and closure procedures are 100% complete. Additionally, estimated postclosure costs of \$2,097,696 are included in the liability.

Metro Thermal Ash Landfill Phase II - The total remaining closure and postclosure costs of this landfill are \$1,417,718. The landfill is currently accepting solid waste, while some closing procedures have been started. Phase II has reached 80% capacity, thus a liability of \$1,134,174 is accrued.

Metro Thermal Ash Landfill Phase III - The total remaining closure and postclosure costs of this landfill are \$2,120,989. The landfill is currently accepting solid waste, while some closing procedures have been started. Phase III has reached 20% capacity, thus a liability of \$424,198 is accrued.

These estimates are based on an independent evaluation of cost to perform all closure and care. Actual costs may be higher due to inflation, changes in technology or changes in regulations. Closure and care financial requirements are expected to be met by the operations of the Solid Waste Operations Fund. To the extent the Solid Waste Operations Fund operations create a deficit, the General Fund is required to fund its operations.

Accounting pronouncements - As discussed in Note 2, the Government adopted GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions, and GASB Statement No. 36, Recipient Reporting for Certain Shared Non-exchange Revenue, in fiscal year 2001.

The Government will adopt GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments and GASB Statement No. 37, Basic Financial Statements - and Management Discussion and Analysis for State and Local Governments, an amendment of GASB Statements No. 21 and No. 34, required for periods beginning after June 15, 2001, in fiscal year 2002. Significant changes required by these Statements, from the existing financial reporting requirements, include dual perspective financial reporting, full accrual basis of accounting for governmental activities, the presentation of a management discussion and analysis, the capitalization of infrastructure assets and the recording and depreciation of all capital assets, including infrastructure assets.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Management is in the process of determining the effects that the adoption of these statements will have on the Government's financial statements.

Total columns - Total columns on the combined financial statements are captioned "Memorandum Only" to indicate they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in cash flows in conformity with generally accepted accounting principles, nor is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2 – RESTATEMENT OF RETAINED EARNINGS/FUND BALANCE

During the fiscal year ended June 30, 2001, the Government adopted GASB Statement No. 33, Accounting and Reporting for Nonexchange Transactions and GASB Statement No. 36, Recipient Reporting For Certain Shared Non-exchange Revenue, which established accounting and financial reporting standards for nonexchange transactions involving financial or capital resources such as taxes, grants and contributions. The adoption of these Statements increased beginning fund balance for the general fund and special revenue funds and retained earnings for proprietary type component units.

During the fiscal year ended June 30, 2001, the activities of the Sports Authority were reclassified from being blended with various governmental funds and added as a discretely presented governmental type component unit in accordance with GASB Statement No. 14, The Financial Reporting Entity. This change decreased beginning fund balance for special revenue, debt service, and capital project funds and increased beginning fund balance for governmental type component units.

During the fiscal year ended June 30, 2001, the activities of the Police Secondary Employment fund were removed from a special revenue fund and added as an enterprise fund, as the activity is proprietary in nature and supported by user charges. This change decreased beginning fund balance for special revenue funds and increased beginning retained earnings for enterprise funds.

During the fiscal year ended June 30, 2001, the School Activity Fund restated beginning fund balance due to timing of expenditures between years. This restatement increased beginning fund balance for special revenue funds.

During the fiscal year ended June 30, 2001, the Nashville District Management Corporation restated beginning fund balance to properly account for the recording of certain contract revenue. This restatement increased beginning fund balance for governmental type component units.

During the fiscal year ended September 30, 1999, the Metropolitan Development and Housing Agency converted from the use of special revenue to enterprise funds in accordance with the preferred method of accounting by the U.S. Department of Housing and Urban Development. During the fiscal year ended September 30, 2000, this conversion resulted in a restatement of beginning retained earnings. This restatement increased beginning retained earnings for proprietary type component units.

During the fiscal year ended September 30, 2000, an entity previously reported as a component unit of the Metropolitan Development and Housing Agency was removed in accordance with GASB Statement No. 14, The Financial Reporting Entity. This change decreased beginning retained earnings for proprietary type component units.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 2 – RESTATEMENT OF RETAINED EARNINGS/FUND BALANCE (CONTINUED)

These additions, deletions, and reclassifications affected beginning retained earnings/fund balances as follows:

	General Fund	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Enterprise Funds	Governmental Type Component Units	Proprietary Type Component Units
Retained earnings/fund balance, beginning of year, as previously reported	\$ 67,072,724	\$ 119,655,816	\$ 135,675,054	\$ 87,132,286	\$ 405,841,652	\$ 59,668	\$ 283,520,647
Adoption of GASB Statement No.'s 33 and 36	21,122,848	13,902,340	-	-	-	-	8,741,380
Reclassifications between funds and component units:							
Sports Authority	-	(23,558,632)	(10,205,423)	(6,663,857)	-	40,427,912	-
Police Secondary Employment	-	(58,505)	-	-	58,505	-	-
Restatements:							
School Activity Fund	-	27,254	-	-	-	-	-
Nashville District Management Corporation	-	-	-	-	-	239,104	-
Metropolitan Development and Housing Agency	-	-	-	-	-	-	16,057,402
Deletion of Metropolitan Development and Housing Agency component unit	-	-	-	-	-	-	(1,957,532)
Retained earnings/fund balance, beginning of year, restated	<u>\$ 88,195,572</u>	<u>\$ 109,968,273</u>	<u>\$ 125,469,631</u>	<u>\$ 80,468,429</u>	<u>\$ 405,900,157</u>	<u>\$ 40,726,684</u>	<u>\$ 306,361,897</u>

NOTE 3 - REVENUES OVER EXPENDITURES - GAAP VERSUS BUDGET BASIS

The nature and amount of adjustments necessary to convert the GAAP basis excess (deficiency) of revenues and other sources over expenditures and other uses to the budget basis are as follows:

	General Fund	Special Revenue Funds	Debt Service Funds
Excess (deficiency) of revenues and other sources over expenditures and other uses:			
GAAP basis	\$ 10,708,597	\$ 7,216,369	\$ 31,836,411
Less: Unbudgeted entities	-	(4,659,777)	7,247
Current year reserve for encumbrances	-	(4,983,935)	-
Add: Prior year reserve for encumbrances	-	2,391,447	-
Budget basis	<u>\$ 10,708,597</u>	<u>\$ (35,896)</u>	<u>\$ 31,843,658</u>

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 4 - CASH AND INVESTMENTS

The Government is authorized by policy to invest funds that are not immediately needed in: United States Treasury Bills, Bonds and Notes; The State of Tennessee Local Government Investment Pool; bonds issued by the Government; bonds of commercial entities and other investments such as repurchase agreements and commercial paper. The Government is authorized to invest in these instruments either directly or through the Metro Investment Pool (MIP). In addition, the Joseph B. Knowles Trust fund is authorized to invest in stocks of commercial entities, and the Metropolitan Employees' Benefit Trust is authorized to invest funds in accordance with the Statement of Investment Objectives of the Investment Board of the Government, which states that the Investment Board may make investments it deems suitable for the trust fund. The Government's banking agreement includes a provision for a \$2 million compensating balance.

Deposits in financial institutions are required by State statute to be secured and collateralized by the institutions. The collateral must meet certain requirements and must have a total minimum market value of 105% of the value of the deposits placed in the institutions, less the amount protected by federal depository insurance. Collateral requirements are not applicable for financial institutions that participate in the State of Tennessee's collateral pool. As of June 30, 2001, most of the Government's deposits were held by financial institutions which participate in the bank collateral pool administered by the Treasurer of the State of Tennessee. Participating banks determine the aggregated balance of their public fund accounts for the Government. The amount of collateral required to secure these public deposits must be at least 105% of the average daily balance of public deposits held. Collected securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the State Treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure. Accounts covered by the State collateral pool are classified as category A in accordance with GASB Statement No. 3, Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements.

CASH AND CASH EQUIVALENTS

The Government's deposits are categorized below to give an indication of the level of risk assumed by the Government at fiscal year end. Category A includes deposits that are insured or collateralized with securities held by the Government or by its agent in the Government's name. Category B includes deposits that are insured or collateralized with securities held by the pledging financial institutions trust department. Category C includes deposits that are uninsured and uncollateralized. Deposits represent the Government's cash balance at banks and other financial institutions, while the carrying amount of cash on deposit represents the book balance of those deposits. The difference between deposits and the carrying amount of cash on deposit is due primarily to checks outstanding and deposits in transit at June 30, 2001.

	Deposits Per Bank And Other Financial Institutions				Carrying Amount Per Books		
	Category			Total	Cash On Deposit	Cash On Hand	Total
	A	B	C				
Primary Government							
General Government	\$ 14,986,078	\$ -	\$ -	\$ 14,986,078	\$ 6,422,034	\$ 179,729	\$ 6,601,763
Metropolitan Board of Education (except pension funds)	13,705,431	-	-	13,705,431	10,652,893	2,075	10,654,968
Department of Water and Sewerage Services	201,136	-	-	201,136	205,017	8,500	213,517
Pension Funds	74,099,121	-	-	74,099,121	74,099,121	-	74,099,121
Elected Officials	42,087,324	-	-	42,087,324	33,909,131	35,575	33,944,706
Total primary government	\$ 145,079,090	\$ -	\$ -	\$ 145,079,090	\$ 125,288,196	\$ 225,879	\$ 125,514,075

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 4 – CASH AND INVESTMENTS (CONTINUED)

	Deposits Per Bank And Other Financial Institutions				Carrying Amount Per Books		
	Category			Total	Cash On Deposit	Cash on Hand	Total
	A	B	C				
Reconciliation to presentation on the balance sheet:							
Cash and Cash Equivalents							\$ 385,302,316
Restricted Cash and Cash Equivalents							103,534,533
Less: Cash Equivalents included as investments for footnote categorization							<u>(363,322,774)</u>
Total primary government							<u>\$ 125,514,075</u>
Component Units - Governmental Types							
Sports Authority	\$ 5,698,405	\$ -	\$ -	\$ 5,698,405	\$ 5,698,405	\$ -	\$ 5,698,405
Nashville District Management Corporation	434,189	-	-	434,189	434,189	-	434,189
Total governmental types	<u>\$ 6,132,594</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,132,594</u>	<u>\$ 6,132,594</u>	<u>\$ -</u>	<u>\$ 6,132,594</u>
Reconciliation to presentation on the balance sheet:							
Cash and Cash Equivalents							\$ 26,878,449
Less: Cash Equivalents included as investments for footnote categorization							<u>(20,745,855)</u>
Total governmental types							<u>\$ 6,132,594</u>
Component Units - Proprietary Types							
Metropolitan Development and Housing Agency	\$ 34,676,316	\$ -	\$ -	\$ 34,676,316	\$ 35,132,185	\$ 10,275	\$ 35,142,460
Hospital Authority	3,282,267	-	-	3,282,267	3,232,928	208,738	3,441,666
Electric Power Board	3,304,730	-	-	3,304,730	293,560	16,000	309,560
Metropolitan Transit Authority	425,222	-	-	425,222	459,679	-	459,679
Nashville Thermal Transfer Corporation	1,711,236	-	-	1,711,236	1,242,159	515	1,242,674
Metropolitan Nashville Airport Authority	126,988,270	-	-	126,988,270	126,819,985	-	126,819,985
Emergency Communications District	2,919,876	-	-	2,919,876	2,919,876	-	2,919,876
Industrial Development Board	962,574	-	14,741	977,315	977,315	53,940	1,031,255
Total proprietary types	<u>\$ 174,270,491</u>	<u>\$ -</u>	<u>\$ 14,741</u>	<u>\$ 174,285,232</u>	<u>\$ 171,077,687</u>	<u>\$ 289,468</u>	<u>\$ 171,367,155</u>
Reconciliation to presentation on the balance sheet:							
Cash and Cash Equivalents							\$ 68,012,388
Restricted Cash and Cash Equivalents							120,016,657
Less: Cash Equivalents included as investments for footnote categorization							<u>(16,661,890)</u>
Total proprietary types							<u>\$ 171,367,155</u>

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 4 - CASH AND INVESTMENTS (CONTINUED)

INVESTMENTS

The Government's investments are categorized below to give an indication of the level of risk assumed by the Government at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the Government or its agent in the Government's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department (if a bank) or agent in the Government's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty in the Government's name, or held by the counterparty's trust department (if a bank) or agent, but not in the Government's name.

	Category			Fair
	1	2	3	Value
<u>General government</u>				
Federal Home Loan Bank				
Obligations	\$ 44,088,233	\$ -	\$ -	\$ 44,088,233
Federal Home Loan Mortgage				
Corporation Obligations	75,939,750	-	-	75,939,750
Federal National Mortgage				
Association Obligations	149,386,250	-	-	149,386,250
Bankers' Acceptances	11,311,535	-	-	11,311,535
Corporate Bonds and Notes	992,443	-	-	992,443
Common Stock	31,861	-	-	31,861
Commercial Paper	39,889,197	-	-	39,889,197
Student Loan Marketing				
Association Obligations	22,707,075	-	-	22,707,075
Total general government	<u>\$ 344,346,344</u>	<u>\$ -</u>	<u>\$ -</u>	<u>344,346,344</u>
<u>Metropolitan Board of Education (except pension funds)</u>				
Federal Home Loan Bank				
Obligations	\$ 55,135,890	\$ -	\$ -	\$ 55,135,890
Federal Home Loan Mortgage				
Corporation Obligations	81,216,701	-	-	81,216,701
Federal National Mortgage				
Association Obligations	67,467,770	-	-	67,467,770
Bankers' Acceptances	5,108,663	-	-	5,108,663
Common Stock	14,393	-	-	14,393
Commercial Paper	18,015,280	-	-	18,015,280
Student Loan Marketing				
Association Obligations	10,255,266	-	-	10,255,266
Total Metropolitan Board of Education (except pension funds)	<u>\$ 237,213,963</u>	<u>\$ -</u>	<u>\$ -</u>	<u>237,213,963</u>
<u>Department of Water and Sewerage Services</u>				
U. S. Treasury & Agency				
Securities	\$ 1,214,246	\$ -	\$ -	\$ 1,214,246
Federal Home Loan Bank				
Obligations	63,579,838	-	-	63,579,838
Federal Home Loan Mortgage				
Corporation Obligations	52,905,305	-	-	52,905,305
Federal National Mortgage				
Association Obligations	142,502,433	-	-	142,502,433
Bankers' Acceptances	7,211,529	-	-	7,211,529

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 4 – CASH AND INVESTMENTS (CONTINUED)

	Category			Fair
	1	2	3	Value
<u>Department of Water and Sewerage Services (Continued)</u>				
Common Stock	\$ 20,317	\$ -	\$ -	\$ 20,317
Commercial Paper	25,430,864	-	-	25,430,864
Student Loan Marketing Association Obligations	29,700,615	-	-	29,700,615
Fidelity Treasury Fund	7,437,224	-	-	7,437,224
State and Local Government Securities	2,230,500	-	-	2,230,500
	<u>\$ 332,232,871</u>	<u>\$ -</u>	<u>\$ -</u>	<u>332,232,871</u>
Tennessee Local Government Investment Pool				<u>1,735,209</u>
Total Department of Water and Sewerage Services				<u>333,968,080</u>
<u>Pension funds</u>				
U. S. Treasury & Agency Securities	\$ 104,608,026	\$ -	\$ -	\$ 104,608,026
Federal Home Loan Bank Obligations	15,243,871	-	-	15,243,871
Federal Home Loan Mortgage Corporation Obligations	53,494,522	-	-	53,494,522
Federal National Mortgage Association Obligations	81,667,390	-	-	81,667,390
Bankers' Acceptances	236,731	-	-	236,731
Corporate Bonds and Notes	150,305,949	-	-	150,305,949
Common Stock	746,667,513	-	-	746,667,513
Commercial Paper	834,812	-	-	834,812
Preferred Stock	3,429,567	-	-	3,429,567
Foreign Currency	18,401,998	-	-	18,401,998
Collateralized Mortgage Obligations	61,790,388	-	-	61,790,388
International Securities	206,882,243	-	-	206,882,243
Government National Mortgage Association Obligations	18,143,445	-	-	18,143,445
Student Loan Marketing Association Obligations	475,220	-	-	475,220
	<u>\$ 1,462,181,675</u>	<u>\$ -</u>	<u>\$ -</u>	<u>1,462,181,675</u>
Mortgages and Real Estate				36,859,286
Limited Partnerships				<u>31,383,293</u>
Total pension funds				<u>1,530,424,254</u>
<u>Elected Officials</u>				
Common Stock	\$ 11,820	\$ -	\$ -	11,820
Mortgages and Real Estate				<u>243,903</u>
Total elected officials				<u>255,723</u>
TOTAL PRIMARY GOVERNMENT				<u>\$ 2,446,208,364</u>

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 4 – CASH AND INVESTMENTS (CONTINUED)

	Category			Fair
	1	2	3	Value
Reconciliation to presentation on the balance sheet:				
Cash and Cash Equivalents				\$ 363,322,774
Investments				1,866,535,248
Restricted Investments				216,350,342
				<u>216,350,342</u>
TOTAL PRIMARY GOVERNMENT				<u>\$ 2,446,208,364</u>
<u>Component Units - Governmental Types</u>				
Commercial Paper	\$ 4,819,719	\$ -	\$ -	\$ 4,819,719
Federal Home Loan Bank				-
Obligations	3,883,184	-	-	3,883,184
Federal Home Loan Mortgage				-
Corporation Obligations	7,252,307	-	-	7,252,307
Federal National Mortgage				-
Association Obligations	18,049,992	-	-	18,049,992
Bankers' Acceptances	1,366,746	-	-	1,366,746
Student Loan Marketing				-
Association Obligations	2,743,643	-	-	2,743,643
Common Stock	3,849	-	-	3,849
Total governmental types	<u>\$ 38,119,440</u>	<u>\$ -</u>	<u>\$ -</u>	<u>38,119,440</u>
Reconciliation to presentation on the balance sheet:				
Cash and Cash Equivalents				\$ 20,745,855
Investments				17,373,585
Total governmental types				<u>\$ 38,119,440</u>
<u>Component Units - Proprietary Types</u>				
U. S. Treasury & Agency				
Securities	\$ 246,928,749	\$ -	\$ -	\$ 246,928,749
Commercial Paper	2,290,454	-	-	2,290,454
Repurchase Agreements	4,772,005	-	-	4,772,005
Federal Home Loan Bank				
Obligations	747,763	-	-	747,763
Federal Home Loan Mortgage				
Corporation Obligations	1,396,536	-	-	1,396,536
Federal National Mortgage				
Association Obligations	3,475,786	-	-	3,475,786
Bankers' Acceptances	263,187	-	-	263,187
Student Loan Marketing				
Association Obligations	528,328	-	-	528,328
Common Stock	741	-	-	741
	<u>\$ 260,403,549</u>	<u>\$ -</u>	<u>\$ -</u>	<u>260,403,549</u>
Real Estate				860,080
Mutual Funds				2,760,489
Total proprietary types				<u>264,024,118</u>
Reconciliation to presentation on the balance sheet:				
Cash and Cash Equivalents				\$ 16,661,890
Investments				57,813,670
Restricted Investments				189,548,558
Total proprietary types				<u>\$ 264,024,118</u>

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 4 - CASH AND INVESTMENTS (CONTINUED)

The primary government's pension plans also have \$1,042,766 of annuities that are classified separately from investments on the balance sheet.

The Government invests in collateralized mortgage obligations (CMOs), which are based on cash flows from interest payments on underlying mortgages. CMOs are sensitive to prepayments by mortgagees, which may result from a decline in interest rates. For example, if interest rates decline and mortgagees refinance their mortgages, thereby prepaying the mortgages underlying these securities, the cash flows from interest payments are reduced and the value of these securities declines. Likewise, if mortgagees extend payment on mortgages longer than anticipated, the cash flows are greater and the return on the initial investment would be higher than anticipated.

NOTE 5 - PROPERTY, PLANT AND EQUIPMENT

The following summarizes the changes in the General Fixed Assets Account Group during the year ended June 30, 2001:

	Balance July 1, 2000	Additions	Deletions	Reclassification of Assets to Component Unit	Balance June 30, 2001
Land	\$ 138,053,625	\$ 9,880,187	\$ -	\$ (61,892,387)	\$ 86,041,425
Buildings and improvements	919,394,500	177,860,451	(67,276,653)	(357,069,778)	672,908,520
Furniture, fixtures, machinery And equipment	169,837,118	35,084,271	(47,289,778)	(7,332)	157,624,279
Construction in progress	123,604,916	63,988,306	(89,132,843)	-	98,460,379
Total	<u>\$ 1,350,890,159</u>	<u>\$ 286,813,215</u>	<u>\$ (203,699,274)</u>	<u>\$ (418,969,497)</u>	<u>\$ 1,015,034,603</u>

During the fiscal year ended June 30, 2001, the activities of the Sports Authority were removed from various governmental funds and added as a governmental type component unit. Accordingly, the related assets were reclassified from the General Fixed Assets Account Group to the Sports Authority component unit.

Property, plant and equipment of the proprietary and fiduciary funds of the primary government at June 30, 2001 consisted of the following:

	Enterprise Funds	Internal Service Funds	Nonexpendable Trust Funds
Utility plant in service	\$ 1,466,725,282	\$ -	\$ -
Land	22,917,617	-	138,000
Buildings and improvements	78,885,561	294,563	40,720
Improvements other than buildings	36,238,696	-	-
Office furniture and equipment	4,651,223	813,924	-
Machinery and equipment	41,449,438	37,756,809	25,694
Property under capital lease	3,645,000	-	-
Construction work in progress	27,108,133	-	-
	1,681,620,950	38,865,296	204,414
Less accumulated depreciation	<u>(419,376,082)</u>	<u>(17,352,088)</u>	<u>(66,414)</u>
Property, plant and equipment - net	<u>\$ 1,262,244,868</u>	<u>\$ 21,513,208</u>	<u>\$ 138,000</u>

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 5 - PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Property, plant and equipment of the proprietary type component units at June 30, 2001 consisted of the following:

	Component Units	
	Governmental Types	Proprietary Types
Utility plant in service	\$ -	\$ 956,764,293
Land	61,892,387	512,008,018
Buildings and improvements	357,069,778	375,333,013
Machinery and equipment	7,332	87,290,123
Construction work in progress	-	26,192,970
	<u>418,969,497</u>	<u>1,957,588,417</u>
Less accumulated depreciation	-	(726,205,984)
Property, plant and equipment - net	<u>\$ 418,969,497</u>	<u>\$ 1,231,382,433</u>

The Metropolitan Development and Housing Agency recorded an equity transfer of \$82,161 which represents the transfer of property, plant and equipment to the general fixed asset account group of the primary government.

NOTE 6 - BONDS, NOTES AND OTHER OBLIGATIONS

Primary Government

Transaction summary for the year ended June 30, 2001

	General Long-term Debt Account Group			Proprietary Bonds, Notes and Other Obligations Payable	Total Primary Government
	General Obligation Bonds and Notes Payable	Limited Obligation Revenue Bonds Payable	Other Obligations Payable		
Bonds, notes and other obligations payable July 1, 2000	\$ 989,705,000	\$ 114,360,000	\$ 131,145,796	\$ 611,153,693	\$ 1,846,364,489
New Bonds and notes issued:					
G.O. Multi-purpose Improvement Bonds Series 2001A					
General Services District	62,065,000	-	-	-	62,065,000
Schools	176,640,000	-	-	-	176,640,000
Urban Services District	23,450,000	-	-	-	23,450,000
G.O. Multi-purpose Refunding Bonds Series 2001B					
General Services District	43,633,148	-	-	-	43,633,148
Schools	30,111,852	-	-	-	30,111,852
Additions:					
Department of Water & Sewerage state construction loans	-	-	-	4,585,229	4,585,229
Compensated absences	-	-	33,906,855	-	33,906,855
Interest arbitrage rebate	-	-	946,746	1,250,000	2,196,746
Net pension obligation	-	-	2,902,388	-	2,902,388

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 6 – BONDS, NOTES AND OTHER OBLIGATIONS (CONTINUED)

	General Long-term Debt Account Group				
	General Obligation Bonds and Notes Payable	Limited Obligation Revenue Bonds Payable	Other Obligations Payable	Proprietary Bonds, Notes and Other Obligations Payable	Total Primary Government
Bonds, notes and other obligations retired	\$ (55,780,000)	\$ (1,045,000)	\$ -	\$ (20,080,131)	\$ (76,905,131)
Bonds defeased	(73,505,000)	-	-	-	(73,505,000)
Deferred charge	-	-	-	891,727	891,727
Reclassification between funds and component unit:					
Sports Authority:					
Public Improvement Revenue Bonds (Stadium Project), Series 1996	-	(75,380,000)	-	-	(75,380,000)
Taxable Public Facility Revenue Bonds Series 1998	-	(20,255,000)	-	-	(20,255,000)
Other deductions:					
Landfill closure costs	-	-	(75,160)	-	(75,160)
Compensated absences	-	-	(36,475,934)	-	(36,475,934)
Claims and judgments	-	-	(27,648,940)	-	(27,648,940)
Bonds, notes and other obligations payable June 30, 2001	<u>\$ 1,196,320,000</u>	<u>\$ 17,680,000</u>	<u>\$ 104,701,751</u>	<u>\$ 597,800,518</u>	<u>\$ 1,916,502,269</u>

Description of amounts payable at June 30, 2001

	Interest Rate	Amount
General obligation bonds and notes payable from ad valorem taxes:		
General Services District - General Purposes, due in varying amounts to November 15, 2029	1.00 - 6.60%	\$ 717,305,524
General Services District - School Purposes, due in varying amounts to November 15, 2027	4.00 - 6.15%	421,890,712
Urban Services District - General Purposes, due in varying amounts to October 15, 2017	0.10 - 6.60%	<u>57,123,764</u>
Total general obligation bonds and notes payable from ad valorem taxes		<u>1,196,320,000</u>
Limited obligation revenue bonds payable:		
Correctional Facility Revenue Bonds, due in varying amounts to September 1, 2011	6.50 - 7.00%	<u>17,680,000</u>
Total limited obligation revenue bonds payable		<u>17,680,000</u>

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 6 – BONDS, NOTES AND OTHER OBLIGATIONS (CONTINUED)

	<u>Interest Rate</u>	<u>Amount</u>
Other obligations payable:		
Net pension obligation		\$ 46,324,173
Compensated absences		44,405,033
Claims and judgments		7,235,864
Interest arbitrage rebate		3,080,613
Landfill closure		<u>3,656,068</u>
Total other obligations payable		<u>104,701,751</u>
Total obligations included in General Long-term Debt Account Group		<u>\$ 1,318,701,751</u>
Bonds, notes and other obligations payable-proprietary fund types:		
Department of Water and Sewerage Revenue Refunding Bonds of 1986, due in varying amounts to January 1, 2016	5.50 - 7.70%	\$ 135,615,000
Department of Water and Sewerage Revenue Bonds, Series 1992, due in varying amounts to January 1, 2004	5.20 - 5.60%	8,205,000
Department of Water and Sewerage Revenue Bonds, Series 1993, due in varying amounts to January 1, 2016	4.60 - 6.50%	130,965,000
Department of Water and Sewerage Revenue Refunding Bonds of 1996, due in varying amounts to January 1, 2014	5.50 - 6.00%	62,842,878
Department of Water and Sewerage Revenue Refunding Bonds, Series 1998A, due in varying amounts to January 1, 2022	4.00 - 5.00%	145,944,230
Department of Water and Sewerage Revenue Bonds Series 1998B, due in varying amounts to January 1, 2014	3.80 - 5.25%	<u>46,280,000</u>
Total revenue bonds payable - proprietary fund types		<u>529,852,108</u>
Department of Water and Sewerage Services - state construction loans	4.36 - 5.52%	<u>64,233,410</u>
Other obligations payable:		
Interest arbitrage rebate		<u>1,250,000</u>
Total other obligations payable		1,250,000
Total revenue bonds and other obligations payable		<u>595,335,518</u>
Capitalized lease obligations payable:		
Farmers Market	7.50%	<u>2,465,000</u>
Total capitalized lease obligations payable		<u>2,465,000</u>
Total proprietary bonds, notes and other obligations payable		<u>\$ 597,800,518</u>

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 6 - BONDS, NOTES AND OTHER OBLIGATIONS (CONTINUED)

The bonds, notes and other obligations of the proprietary funds are classified in the combined balance sheet as follows:

Current portion of capital lease	\$ 125,000
Current portion of long-term debt payable from restricted assets	20,624,125
Revenue bonds payable	515,802,108
Capitalized lease obligation	2,340,000
Other long-term liabilities	58,909,285
	<hr/>
Total bonds, notes and other obligations payable	\$ 597,800,518
	<hr/>

The general obligation bonds and notes payable are direct obligations of the Government for which its full faith and credit are pledged. These obligations are payable from the assessment of ad valorem taxes. In addition, the Government has additional sources of funds which are utilized to meet the annual principal and interest payments of certain general obligation bonds and notes.

The Correctional Facility Revenue Bonds are special limited obligations of the Government payable solely from payments received from the State of Tennessee. Payments by the state for debt service on the bonds are considered reimbursements to the Government of reasonable allowable costs under the County Correctional Incentives Act of 1981, as amended, and regulations adopted by the State Department of Corrections. The obligation of the state to make payments under the contract is subject to, and dependent upon, annual appropriations by the State General Assembly and allotment by appropriate state officials and does not constitute a moral or general obligation or a debt of the state. The State General Assembly is not obligated to make appropriations to satisfy the state's obligation to make these payments, and there is no assurance that the State General Assembly will make any such appropriations. The bonds are not deemed to constitute a debt or liability of the Government for which there is recourse against the General Fund or a right to compel the exercise of the ad valorem taxing power of the Government. No right, title or interest in or to the DeBerry Correctional Facility financed by the bonds is pledged for the payment or security of the bonds.

Collateral for obligations of the proprietary funds

Department of Water and Sewerage Services

All bonds are collateralized by the revenues of the Department.

Bond covenants

The various revenue bond indentures contain significant limitations and restrictions on annual debt service requirements, maintenance of a flow of monies through various restricted accounts, minimum amounts to be maintained in various sinking funds, and minimum revenue bond coverages. As of June 30, 2001, the Government believes it was in compliance with all financial limitations and restrictions.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 6 - BONDS, NOTES AND OTHER OBLIGATIONS (CONTINUED)

Annual debt service requirements

The annual requirements to amortize all general obligation bonds and notes and revenue bonds outstanding as of June 30, 2001, including future interest payments of \$989,158,780, are as follows:

Year Ending June 30	General Obligation Bonds and Notes	Limited Obligation Revenue Bonds Payable	Revenue Bonds	Total Primary Government
2002	\$ 131,040,266	\$ 2,302,400	\$ 44,334,920	\$ 177,677,586
2003	128,025,526	2,300,740	49,295,490	179,621,756
2004	127,080,375	2,302,525	49,302,910	178,685,810
2005	125,728,636	2,302,083	49,273,325	177,304,044
2006	124,511,987	2,299,620	52,429,170	179,240,777
Thereafter	1,223,574,132	13,804,275	613,155,400	1,850,533,807
Total	1,859,960,922	25,311,643	857,791,215	2,743,063,780
Deferred charge	-	-	(10,052,892)	(10,052,892)
Interest payable	(663,640,922)	(7,631,643)	(317,886,215)	(989,158,780)
Total principal outstanding	\$ 1,196,320,000	\$ 17,680,000	\$ 529,852,108	\$ 1,743,852,108

Advance refundings of bonds

On February 15, 2001, the Government issued \$262,155,000 General Obligation Multi-purpose Improvement Bonds, Series 2001A, and \$73,745,000 General Obligation Multi-purpose Refunding Bonds, Series 2001B, at a combined effective rate of 4.43%. These bonds provided funds for various public improvement projects and refunded portions of the Government's Outstanding General Obligation Multi-purpose Improvement Bonds, Series 1994, dated September 15, 1994 (the "Series 1994 Bonds"), maturing May 15, 2005 through May 15, 2011; the Government's General Obligation Multi-purpose Improvement Bonds, Series 1995, dated May 15, 1995 (the "Series 1995 Bonds"), maturing May 15, 2008 through May 15, 2017; and also the Government's General Obligation Public Improvement Bonds, Series 1996A, dated October 1, 1996 (the "Series 1996A Bonds"), maturing November 15, 2011 and November 15, 2012. The net proceeds of the bonds totaled \$354,250,493 (including an original issue premium, net of underwriting fees and other issuance costs).

The refunding portion of the net proceeds of \$77,885,410 was used to purchase U.S. Government Securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded Series 1994 Bonds, Series 1995 Bonds and Series 1996A Bonds. As a result, \$73,505,000 in maturities of the Series 1994 Bonds, Series 1995 Bonds and Series 1996A Bonds are considered to be defeased. The liabilities for the defeased bonds have been removed from the General Long-term Debt Account Group.

The Government advance refunded the Series 1994 Bonds, Series 1995 Bonds and Series 1996A Bonds to reduce its total debt service payments over the next 16 years by \$6,179,244. By issuing the new bonds, the Government obtained an economic gain (difference between the present values of the debt service payments on the defeased and new debts) of \$3,710,673.

The Government had previously defeased certain other obligation bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service requirements on the retired bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Government's financial statements. As of June 30, 2001, a total of \$177,835,000 of bonds are considered defeased.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 6 - BONDS, NOTES AND OTHER OBLIGATIONS (CONTINUED)

Redemption options

Certain bonds are subject to redemption prior to maturity at the option of the Government. The stated payments of principal and interest on the Department of Water and Sewerage Services Series 1992, Series 1993, Series 1996, and Series 1998 Bonds are insured by municipal bond insurance policies which cannot be canceled.

The Department of Water and Sewerage Services - state construction loans

As of June 30, 2001, the Department has entered into fifteen loan agreements with the Tennessee Department of Conservation and the Tennessee Local Development Authority under the State of Tennessee's Revolving Fund Loan Program to provide financing for all or a portion of certain wastewater facility projects. Interest on the loans begins to accrue upon the first receipt of the loan proceeds and is computed at the rate established by the Authority (between 4.28% and 5.52% at June 30, 2001). The loans mature in monthly installments, as stipulated in the agreed-upon payment schedule, and are secured by the Government's unobligated state-shared taxes in an amount equal to the maximum annual debt service requirements under the agreements. In addition, the Government has pledged user fees and charges to be paid from the Department's Extension and Replacement Fund and/or from ad valorem taxes.

As of June 30, 2001, eleven of the fifteen project loans have been fully funded and the Department has begun repaying the loans in accordance with the specified payment schedules. These funded loans, which total \$64,233,410 at June 30, 2001, call for monthly payments of principal and interest of \$800,133. Funding has begun on the remaining four project loans.

State construction loan principal maturities as of June 30, 2001 are summarized below:

	Year Ending June 30
2002	\$ 6,574,125
2003	6,036,462
2004	4,819,488
2005	3,292,140
2006	2,487,324
Thereafter	41,023,871
Total principal outstanding	<u>\$ 64,233,410</u>

Unissued bonds or notes

At June 30, 2001, authorized but unissued general obligation bonds totaled \$147,095,000. General obligation notes authorized but not executed totaled \$177,000.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 6 - BONDS, NOTES AND OTHER OBLIGATIONS (CONTINUED)

Component Units

Transaction summary for the year ended June 30, 2001

	Component Units	
	Governmental Types	Proprietary Types
Bonds, notes and other liabilities payable at July 1, 2000	\$ -	\$ 819,829,119
New bonds and notes issued:		
Metropolitan Development and Housing Agency:		
Notes payable - tax increments	-	5,731,619
Section 108 loans	-	66,340
Electric Power Board:		
Electric System Revenue Bonds, 2001 Series A and B	-	138,135,161
Metropolitan Nashville Airport Authority:		
Airport Improvement Revenue Bonds, Series 2001 A	-	91,930,000
Other additions:		
Sports Authority:		
Reclassification of debt from General Long-term Debt Account Group to governmental type component unit	95,635,000	-
Metropolitan Development and Housing Agency:		
Inclusion of Vine Hill component unit in reporting entity	-	9,825,977
Change in compensated absences	-	145,847
Change in other liabilities	-	892,679
Electric Power Board:		
Accretion on certain bonds and amortization of bond discount and loss on refunding	-	3,024,361
Nashville Thermal Transfer Corporation:		
Amortization of bond discount	-	37,534
Amortization of loss on refunding	-	658,530
Metropolitan Nashville Airport Authority:		
Amortization of loss on refunding	-	2,163,912
Accretion of Synthetic Advanced Refunding, Series 2001	-	516,106
Payments on borrowings	(1,885,000)	(39,736,295)
Bonds, notes and other liabilities retired	-	(20,382,082)
Other deductions:		
Metropolitan Development and Housing Agency:		
Exclusion of Nashville Housing Fund component unit from reporting entity	-	(2,769,939)
Electric Power Board:		
Principal payments to TVA	-	(685,654)
Change in other liabilities	-	(447,694)
Nashville Thermal Transfer Corporation:		
Amortization of accretion	-	(15,324)
Metropolitan Nashville Airport Authority:		
Amortization of deferred interest income	-	(382,671)
Amortization of deferred rental income	-	(59,271)
Bonds, notes and other liabilities payable at June 30, 2001	<u>\$ 93,750,000</u>	<u>\$ 1,008,478,255</u>

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 6 - BONDS, NOTES AND OTHER OBLIGATIONS (CONTINUED)

Description of amounts payable at June 30, 2001

	<u>Interest Rates</u>	<u>Amount</u>
Revenue bonds payable - governmental types:		
Public Improvement Revenue Bonds (Stadium Project), Series 1996, due in varying amounts to July 1, 2026	4.70 - 5.875%	\$ 74,080,000
Taxable Public Facility Revenue Bonds, Series 1998, due in varying amount to July 1, 2018	5.87 - 6.60%	19,670,000
Total revenue bonds payable - governmental types		<u>\$ 93,750,000</u>
Revenue bonds payable - proprietary types:		
Metropolitan Development and Housing Agency, Revenue Bonds, 1998 Series, due June 11, 2009	5.77%	\$ 11,475,600
Electric Power Board Electric System Revenue Bonds, 1992 Series B, due in varying amounts to May 15, 2005	4.25 - 5.62%	57,754,752
Electric Power Board Electric System Revenue Bonds, 1996 Series A, due in varying amounts to May 15, 2013	5.50 - 6.00%	62,423,190
Electric Power Board Electric System Revenue Bonds, 1998 Series A, due in varying amounts to May 15, 2023	5.125 - 5.40%	87,656,507
Electric Power Board Electric System Revenue Bonds, 1998 Series B, due in varying amounts to May 15, 2017	3.80 - 5.50%	57,099,699
Electric Power Board Electric System Revenue Bonds, 2001 Series A, due in varying amounts to May 15, 2017	4.50 - 5.00%	118,111,186
Electric Power Board Electric System Revenue Bonds, 2001 Series B, due in varying amounts to May 15, 2014	5.50%	18,532,213
Nashville Thermal Transfer Corporation Energy Production Facility Revenue Refunding Bonds, Series 1994, due in varying amounts to July 1, 2007	3.80 - 5.20%	25,725,000
Nashville Thermal Transfer Corporation Energy Production Facility Revenue Bonds, Series 1997 A, due in varying amounts to July 1, 2014	3.75 - 5.75%	32,920,000
Nashville Thermal Transfer Corporation Energy Production Facility Revenue Refunding Bonds, Series 1997 B, due in varying amounts to July 1, 2012	3.75 - 6.00%	12,985,000
Nashville Thermal Transfer Corporation: Unamortized loss on refunding and bond discount		(2,507,565)
Unaccreted bond premium		107,317
Airport Revenue Bonds, Series 1991, due in varying amounts to July 1, 2005	6.50 - 6.75%	104,895,000
Passenger Facility Charge and Airport Revenue Bonds, Series 1992, due in varying amounts to July 1, 2012	5.60 - 6.00%	38,025,000
Airport Improvement Revenue Bonds, Adjustable Rate Refunding, Series 1993, due in varying amounts to July 1, 2019	Adjustable	48,649,839
Airport Improvement Revenue Bonds, Adjustable Rate Refunding, Series 1995, due in varying amounts to July 1, 2015	4.625 - 5.00%	53,649,223
Airport Improvement Revenue Bonds, Series 1998, due in varying amounts to July 1, 2016	4.15 - 6.25%	42,858,604
Airport Improvement Revenue Bonds, Series 2001A, due in varying amounts to July 1, 2015	5.00 - 6.65%	91,930,000
Metropolitan Nashville Airport Authority: Current portion of revenue bonds		<u>15,196,375</u>
Total revenue bonds payable - proprietary types		<u>877,486,940</u>

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 6 – BONDS, NOTES AND OTHER OBLIGATIONS (CONTINUED)

	<u>Interest Rates</u>	<u>Amount</u>
Notes and other liabilities payable - proprietary types:		
Hospital Authority:		
Capitalized lease obligation		\$ 44,287,285
Metropolitan Development and Housing Agency:		
Notes payable - tax increments		41,935,699
Section 108 loans		6,516,340
Notes payable Vine Hill Homes, LLC component unit		9,825,977
Other notes payable		2,345,601
Other		2,161,423
Electric Power Board:		
TVA Advances		4,206,559
Other		1,444,467
Metropolitan Transit Authority:		
Capitalized lease obligation		870,469
Metropolitan Nashville Airport Authority:		
Synthetic Advance Refunding, Series 2001		9,336,477
Subordinate Revenue Note, Series 1999		1,235,525
Deferred interest income		4,619,862
Other		2,205,631
		<hr/>
Total notes and other liabilities payable - proprietary types		130,991,315
		<hr/>
Total bonds, notes and other liabilities payable - proprietary types		\$ 1,008,478,255
		<hr/>

The bonds, notes and other liabilities of the proprietary type component units are classified in the combined balance sheet as follows:

Current portion of long-term debt	\$ 20,305,332
Current portion of capital lease	913,420
Current portion of long-term debt payable from restricted assets	20,936,375
Revenue bonds payable	841,630,565
Capitalized lease obligations	44,244,334
TVA advances	4,206,559
Other long-term liabilities	76,241,670
	<hr/>
	\$1,008,478,255
	<hr/>

Collateral for obligations of the component units

Sports Authority

The Public Improvement Bonds (Stadium Project), Series 1996 and Taxable Public Facility Revenue Bonds, Series 1998 are limited obligations of the Sports Authority payable solely from the revenues and receipts pledged to the payment of these bonds and secured by the non-tax revenues of the General Fund of the Government. Neither the faith and credit of the Sports Authority nor the faith and credit or the taxing power of the Government is pledged to the payment of the principal or interest on the bonds.

Metropolitan Development and Housing Agency

The Section 108 loan payable is guaranteed by the federal government. Notes payable of \$41,935,699 are collateralized by security interests in certain tax increment revenues paid by the Government and assigned to the note holders, and substantially all of the remaining notes payable are collateralized by real property.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 6 - BONDS, NOTES AND OTHER OBLIGATIONS (CONTINUED)

Electric Power Board

All bond issues are secured by a pledge and lien on the net revenues of the Board.

Nashville Thermal Transfer Corporation

All bonds are collateralized by the revenues of the Corporation and are insured by a municipal bond insurance policy.

Metropolitan Nashville Airport Authority

All bond issues are secured by the rights, title and interest of the Nashville International Airport to the rents and other monies payable under the terms of the airline lease agreements and by all airport revenue as defined in the trust indenture pertaining to the bonds.

Advance refundings of bonds

In fiscal year 1997, the Metropolitan Development and Housing Agency issued revenue bonds, Series 1997, to finance major capital improvements for various housing projects. These bonds were retired with the issuance of the Series 1998 Refunding Revenue Bonds. The Series 1998 bonds require monthly principal and interest payments until maturity.

In March 2001, the Electric Power Board issued \$18,400,000 (original issue at a premium) of Electric System Refunding Bonds, 2001 Series B to provide funds which were used to purchase and deposit in an irrevocable trust with an escrow agent certain U.S. government securities, the principal of and interest on which, when due, will provide funds sufficient to pay all principal and interest on all 1996 Series A Bonds, at their respective maturity dates. As a result of this advance refunding, the liability for the 1996 Series A Bonds has been removed from the accounts of the Electric Power Board. As of June 30, 2001, all of the 1996 Series A Bonds are considered defeased. This advance refunding resulted in a deferred loss of \$1,523,310. The loss is reported in the accompanying financial statements as a deduction from long-term debt and is being charged to operations through the year 2014 using the effective interest method. The Board completed the advance refunding to reduce its total debt service payments over the next 13 years by \$1,062,732 and to obtain an economic gain of \$697,379. The Board also issued, in March 2001, \$118,395,000 (original issue at a discount) of Electric System Revenue 2001 Series A Bonds.

The Series K through N Electric Power Revenue Bonds, 1992 Series A Bonds, and 1996 Series A Bonds have been defeased through advance refundings; therefore, the related balances of \$20,700,000, \$58,165,000, and \$18,835,000, respectively, which are still outstanding at June 30, 2001, do not appear as liabilities on the Electric Power Board's balance sheet.

In March 1997, the Government, on behalf of the Nashville Thermal Transfer Corporation, issued Series 1997B bonds in the principal amount of \$15,370,000. The bonds were issued to provide funds to call the Series 1986A bonds prior to maturity. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$909,646. The difference, reported in the accompanying financial statements as a deduction from long-term debt, is being charged to operations through the year 2012 using the effective-interest method. The Corporation completed the advance refunding to reduce its total debt service payments over the next 18 years by \$4,512,581 and to obtain an economic gain of \$1,843,500.

During October 1993, the Metropolitan Nashville Airport Authority issued Series 1993 bonds in the principal amount of \$53,500,000. The bonds were issued to provide funds to refund \$11,400,000 aggregate principal amount of the Airport Authority's Airport Revenue Bonds, Series 1989B and \$36,000,000 aggregate principal amount of the Airport Authority's Airport Revenue Bonds, Series 1991B. The proceeds were used to purchase direct obligations of the U.S. government which are held in an escrow fund by a trustee for the purpose of making principal, applicable redemption premium and interest payments on the Series 1989B and 1991B bonds as they become due. The Series 1989B bonds were redeemed on July 1, 1998 at a redemption price of 102% of the principal amount thereof, while the Series 1991B bonds will be redeemed on July 1, 2001 at a redemption price of 102% of the principal amount thereof. At June 30, 2001, \$36,000,000 of Series 1991B bonds are considered defeased and are not included in the financial statements. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$7,764,447. The difference, reported in the accompanying financial statements as a reduction of long-term debt, is being charged to operations through the year 2019 using the effective-interest method. The Airport Authority completed the advance refunding to reduce its total debt service payments over 25 years by \$7,922,976 and to obtain an economic gain of \$3,407,924.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 6 - BONDS, NOTES AND OTHER OBLIGATIONS (CONTINUED)

In connection with the issuance of the Series 1993 bonds so as to manage its exposure to market risks from fluctuations on interest rates, the Airport Authority entered into an interest rate swap agreement dated November 1, 1993 (the 1993 Swap Agreement) with a bank (the 1993 Swap Provider), which, in general, provides that the Authority will pay a fixed rate of 4.49% to the 1993 Swap Provider on a notional amount equal to the principal amount of the Series 1993 bonds outstanding and the 1993 Swap Provider will pay interest at the rate borne by the Series 1993 bonds on such notional amount on a net basis. The 1993 Swap Agreement has a term equal to the term of the Series 1993 bonds. Arrangements made in the 1993 Swap Agreement do not alter the Airport Authority's obligation to pay the principal of, premium, if any, and interest on the Series 1993 bonds. Since the counterparty to the 1993 Swap Agreement is a major bank, the Airport Authority does not anticipate credit related losses from nonperformance by such counterparty.

During June 1995, the Airport Authority issued Series 1995 bonds in the principal amount of \$74,810,000. The bonds were issued to provide funds to refund \$74,810,000 aggregate principal amount of the Airport Authority's Airport Revenue Bonds, Series 1985. The Series 1995 bonds were issued bearing interest at a weekly rate. To manage its exposure to market risks from fluctuations in interest rates, the Airport Authority entered into a forward interest rate swap agreement (the 1995 Swap Agreement) eliminating any basis risk to the Airport Authority, resulting in a net fixed rate of 9.29% on the Series 1995 bonds.

During January 1998, the Series 1995 bonds were remarketed with a fixed rate. In connection with the remarketing, the 1995 Swap Agreement was terminated requiring the Airport Authority to pay a Termination Payment. The Termination Payment was funded through the issuance of the Series 1998A and Series 1998B bonds. The remarketing of the Series 1995 bonds and termination of the 1995 Swap Agreement resulted in a difference between the remarketing price and the net carrying amount of the original debt of \$19,804,773. The difference, reported in the accompanying financial statements as a reduction from long-term debt, is being charged to operations through the year 2016 using the effective-interest method. The Airport Authority completed the remarketing and termination of the 1995 Swap Agreement to reduce its total debt service payments over the next 17 years by \$681,220. No significant economic gain or loss resulted from this refunding transaction.

In connection with the Series 1995 Bonds, the Series 1998A Bonds and the Series 1998B Bonds, to generate interest savings, the Airport Authority entered into an interest rate swap agreement dated July 8, 1999 (the 1999 Swap Agreement) with a financial institution (the 1999 Swap Provider) on a notional amount of \$80,000,000 declining in accordance with the amortization schedule of the designated bonds. The 1999 Swap Agreement provides that the Authority will pay a variable rate based on the BMA Municipal Swap Index to the 1999 Swap Provider and the 1999 Swap Provider will pay a fixed rate of 4.865% to the Airport Authority. The termination date of the 1999 Swap Agreement is July 1, 2015, which corresponds to the maturity of the Series 1995 Bonds. Arrangements made in the 2000 Swap Agreement do not alter the Airport Authority's obligation to pay the principal of, premium, if any, and interest on the Series 1995 Bonds, Series 1998A Bonds and the Series 1998B Bonds. Since the counterparty to the 1999 Swap Agreement is a major bank, the Airport Authority does not anticipate credit related losses from nonperformance by such counterparty.

During December 1997, the Airport Authority issued Series 1998A and Series 1998B bonds in the principal amount of \$19,695,000 and \$9,740,000, respectively. The bonds were issued for the purpose of paying the Termination Payment under the 1995 Swap Agreement entered into in connection with the Series 1995 bonds.

During March 1998, the Airport Authority issued Series 1998C bonds in the principal amount of \$32,660,000. The bonds were issued to provide funds to refund \$30,940,000 aggregate principal amount of the Airport Authority's Airport Revenue Bonds, Series 1989A. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$2,710,369. The difference, reported in the accompanying financial statements as a deduction from long-term debt, is being charged to operations through the year 2017 using the effective-interest method. The Airport Authority completed the advance refunding to reduce its total debt service payments over the next 19 years by \$3,511,337 and to obtain an economic gain of \$2,261,103.

During April 2001, the Airport Authority issued Series 2001A bonds in the principal amount of \$91,930,000. The bonds were issued to provide funds to refund \$91,930,000 aggregate principal amount of the Airport Authority's Airport Revenue Bonds, Series 1991C. The proceeds from the issue are held by the Airport Authority at June 30, 2001 and were used to redeem the Series 1991C bonds on July 1, 2001 at a redemption price of 102% of the principal amount thereof.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 6 - BONDS, NOTES AND OTHER OBLIGATIONS (CONTINUED)

During September 1998, the Airport Authority completed a synthetic advance refunding of \$91,930,000 of the callable Airport Revenue Bonds, Series 1991C to take advantage of significantly lower interest rates. The Airport Authority accelerated annual savings resulting from the synthetic advance refunding transaction. This was done through an off-market swap in which the fixed rate liability was set at an artificially higher interest rate such that its net debt service liability approximated that of the refunded 1991 Bonds. In exchange for the higher payments, the Airport Authority received a net upfront payment of \$7,947,134 based on the increased value of the swap. The net upfront payment which will be repaid over the term of the Airport Revenue Bonds, Series 2001A, was recorded as a deferred credit upon receipt. Interest accretion began upon receipt resulting in a charge to operations, based upon the discount rate used in determining the present value of the accelerated annual savings, with a corresponding increase in the deferred credit. The proceeds from the issuance of the Series 2001A bonds in April 2001, were used to redeem the long-term portion of the outstanding 1991C bonds on July 1, 2001.

Conduit debt obligations

From time to time, the Government, through the Industrial Development Board, a component unit, has issued Industrial Revenue Bonds to provide financial assistance to private sector entities for the acquisition and construction of facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private sector entities served by the bond issuances. Neither the Government nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

The aggregate principal amount as of March 31, 2001 for the Industrial Revenue Bonds issued after April 1, 1996 was \$185,352,432. The aggregate principal amount payable for the Industrial Revenue Bonds issued prior to April 1, 1996 could not be determined; however, their original issue amount totaled \$1,414,846,369.

The Health and Educational Facilities Board of The Metropolitan Government of Nashville and Davidson County, Tennessee, (The Board) is a public, non-profit corporation and instrumentality of the Government organized in 1974 pursuant to Chapter 101, Part 3, Title 48 of the TCA as amended (the Act). The Board is not considered to be part of the Government's reporting entity. The Act empowers the Board, among other things, to acquire and furnish property suitable for use by educational institutions, hospital institutions, or multifamily housing facilities in connection with their operations, and to loan to such entities the proceeds from the sale of its bonds to finance such security for the payment of the principal and interest on bonds issued. The Government is not liable for the payment of the principal or any interest on any of the revenue bonds of the Board. Accordingly, the revenue bonds of the Board are not reported as liabilities of the Government.

The aggregate principal amount of revenue bonds issued by the Board on or after April 1, 1996 totals approximately \$1,452,668,000. The aggregate principal amount of revenue bonds which were issued by the Board and are still outstanding as of April 1, 1996 could not be determined; however, the total aggregate principal amount of revenue bonds issued by the Board prior to April 1, 1996 was \$1,367,025,500.

Other matters

Electric Power Board

The Electric Power Board is a fiscal intermediary for the TVA energy conservation programs whereby loans are made to the Board's customers to be used in connection with TVA's Residential Energy Services Program. Pursuant to the terms of an agreement with TVA, the energy conservation loans made to the Board's customers are funded and guaranteed by TVA.

The Electric Power Board has a \$3,000,000 unsecured line of credit to be used for general operating purposes at a negotiated interest rate. There were no borrowings under this line of credit at June 30, 2001.

Metropolitan Transit Authority

The Metropolitan Transit Authority had a maximum \$2,900,000 revolving credit line with a local bank. The line matured on March 5, 2001 and was not renewed.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 6 - BONDS, NOTES AND OTHER OBLIGATIONS (CONTINUED)

During 2001, the Authority entered into a maximum \$2,000,000 revolving credit line agreement with the Metropolitan Government. Interest on the outstanding principal balance is calculated at the same rate of interest as is earned on the Metropolitan Government's idle funds in its Metro Investment Pool. The Authority is not required to make monthly interest payments; the amount of any unpaid interest accrued each month is added to the amount of principal outstanding. The total outstanding balance as of June 30, 2001 is \$1,976,047. The amount is reported as due to other funds of the primary government.

Metropolitan Nashville Airport Authority

During October 1985, the Metropolitan Nashville Airport Authority issued \$68,435,000 Special Facility Revenue Bonds on behalf of American Airlines, Inc. The bonds were issued to finance the acquisition, construction and improvement of certain airport facilities as a result of American Airlines' decision to locate a hub operation at Nashville International Airport. During the year ended June 30, 1996, the Airport Authority issued \$68,435,000 Special Facility Revenue Bonds (American Airlines, Inc. Project), Refunding Series 1995A and 1995B. The bonds were issued to refund the Special Facility Revenue Bonds, Series 1985. These Special Facility Revenue Bonds and related costs are payable only with funds from American Airlines, Inc. or one of its related entities. Since these bonds do not represent a claim on the Airport Authority's assets or require the Airport Authority to incur future obligations, they have not been recorded in the Airport Authority's financial statements.

Annual debt service requirements

The annual principal maturities of all bonds payable as of June 30, 2001 for the governmental type component units are as follows:

Year Ending June 30	Bonds Payable
2002	\$ 1,975,000
2003	2,080,000
2004	2,190,000
2005	2,305,000
2006	2,430,000
Thereafter	82,770,000
Total principal outstanding	<u>\$ 93,750,000</u>

The annual principal maturities of all bonds payable as of June 30, 2001 for the proprietary type component units are as follows:

Year Ending June 30	Bonds Payable
2002	\$ 37,280,615
2003	41,580,978
2004	41,902,364
2005	44,182,749
2006	41,208,869
Thereafter	613,311,413
	<u>819,466,988</u>
Unamortized loss on refunding and bond discount	(23,919,899)
Unaccreted bond premium	107,317
Future maturities of notes and loans	(10,097,466)
Airport Revenue Bonds refunded on July 1, 2001	<u>91,930,000</u>
Total principal outstanding	<u>\$ 877,486,940</u>

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 7 - DEFICIT BALANCES AND EXCESS EXPENDITURES

The following funds have deficit balances at June 30, 2001:

	Fund Deficit / Deficit Retained Earnings	Reserved	Contributed Capital	Total Fund Equity (Deficit)
Primary Government				
Special Revenue Funds:				
Metropolitan Action Commission:				
Administrative and Leasehold	\$ (1,750)	\$ 1,750	\$ -	\$ -
Headstart CACFP	(52,155)	47,926	-	(4,229)
Summer Food Program	(8,213)	-	-	(8,213)
Headstart Expansion	(313,312)	313,312	-	-
Local Law Enforcement Block Grant of 1999	(106,223)	106,223	-	-
Advanced Planning and Research	(52,381)	52,256	-	(125)
Solid Waste:				
Solid Waste Grants	(30,902)	-	-	(30,902)
Library Services	(1,380)	1,380	-	-
1999 Tornado Grant	(68,796)	-	-	(68,796)
Local Law Enforcement Block Grant of 2000	(77,116)	76,477	-	(639)
Juvenile Court Accountability	(515)	-	-	(515)
2000 Storm Clean Up Grant	(17,390)	10,760	-	(6,630)
Planning Commission Top Grant	(3,113)	3,037	-	(76)
Nashville Career Advancement Center	(3,340)	14,812	-	11,472
ADA Management	(4,207)	4,207	-	-
Capital Projects Funds:				
Facilities Planning Capital Outlay	(37,724)	108,743	-	71,019
Multi-purpose Improvement Bonds of 2001	(1,663,429)	11,673,743	-	10,010,314
Enterprise Funds:				
Nashville Convention Center	(16,452,547)	-	56,775,770	40,323,223
Internal Service Funds:				
Information Systems	(2,587,853)	-	2,707,740	119,887
Radio Shop	(536,173)	-	9,392,716	8,856,543
Facilities Planning and Construction	(11,001)	-	-	(11,001)
Component Units - Proprietary Types				
Hospital Authority	(39,459,826)	-	56,972,141	17,512,315
Nashville Thermal Transfer Corporation	(6,381,616)	-	-	(6,381,616)

The responsibility for funding the above deficit balances is as follows:

Funds with deficits

Funding responsibility

Primary Government

Special Revenue Funds
Capital Projects Funds
Enterprise Funds
Internal Service Funds

General Fund
Future issuance of notes and bonds
Future revenues
Future user charges

Component Units - Proprietary Types

Future revenues

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 7 - DEFICIT BALANCES AND EXCESS EXPENDITURES (CONTINUED)

During the year ended June 30, 2001, the Government exceeded the budgeted level of expenditures as follows:

Budgeted Unit	Budget	Actual	Excess
General Fund			
General Services District			
General Government:			
Human Resources	\$ 2,061,873	\$ 2,064,339	\$ 2,466
County Register of Deeds	243,870	1,448,510	1,204,640
Telecommunications	181,910	183,874	1,964
Administration of Justice:			
Circuit Court Clerk	2,693,967	6,255,934	3,561,967
Employee Benefits:			
Unemployment Compensation	250,000	266,799	16,799
Employee In-Line-of-Duty Medical Expense	1,500,000	1,500,896	896
Miscellaneous:			
Insurance and Reserve	1,835,000	1,889,721	54,721
Contract with Bill Wilkerson Hearing and Speech Center	222,820	240,163	17,343
Fringe Benefits	-	173,139	173,139
Interest Charges/Bank Fees	-	10,030	10,030
Operating Transfers Out:			
General Fund 4% Reserve	14,820,846	15,437,557	616,711
General Government Grants	575,070	840,725	265,655
Juvenile Court Accountability	46,129	46,139	10
Health Title V Clean Air Act	-	313,295	313,295
Law Enforcement Block Grant of 1999	4,769	40,675	35,906
Facilities Planning and Construction	70,000	72,807	2,807
Motor Pool	-	19,563	19,563
Operating Transfers to Component Units:			
Metropolitan Development and Housing Agency	2,373,636	2,514,166	140,530
Metropolitan Nashville Airport Authority	170,099	216,213	46,114
Urban Services District			
Employee Benefits:			
Direct Pension Payments	3,000	4,860	1,860
Miscellaneous:			
Interest Charges/Bank Fees	-	3,448	3,448
Operating Transfers to Component Units:			
Metropolitan Nashville Airport Authority	-	74,686	74,686
Debt Service Funds			
General Services District			
General Purposes:			
Fiscal Charges	190,000	271,576	81,576
Payments to refunded bond escrow agent	-	46,064,568	46,064,568
Operating transfers to component units	693,074	744,649	51,575
School Purposes:			
Fiscal Charges	135,000	176,008	41,008
Payments to refunded bond escrow agent	-	31,820,842	31,820,842
Operating transfers out	-	2,320,000	2,320,000
Operating transfers to component units	346,537	378,578	32,041

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 7 - DEFICIT BALANCES AND EXCESS EXPENDITURES (CONTINUED)

Certain operating expenditures and commission and fee revenues of the County Register of Deeds and the Circuit Court Clerk are not included in the General Fund budget but are included in General Fund revenues and expenditures to appropriately recognize the full operations of these elected officials in the financial statements. The budget overage in Human Resources was primarily due to unanticipated requests related to a compensation study. Telecommunications exceeded its budget due to an inadequate budget for videotapes.

Employee benefits are controlled as a whole and, as a whole, were under budget. The Insurance and Reserve and Surety Bonds accounts were used for direct payments to vendors for coverage that was not included in the budget. Fringe Benefits are charged for the matching portion of health and life insurance when the employee portion is paid directly, rather than through payroll deduction, and a provision for these expenditures was not budgeted. The excess in the Contract with Bill Wilkerson Hearing and Speech is due to current year expenditures that were budgeted in prior years.

The following activities are budgeted as contra revenue, but accounted for as expenditures: interest charges/bank fees; transfers to the Metropolitan Development and Housing Agency and the Metropolitan Nashville Airport Authority for tax increment payments. The excess in the transfer to the General Fund 4% Reserve is due to revenue collections in excess of those budgeted.

The excess transfers in General Government Grants, Juvenile Court Accountability and Local Law Enforcement Block Grant – 1999 are due to local match requirements, which were not budgeted. The budget overage in the Facilities Planning transfer was due to excess expenditures in the renovation of the Old Madison Library. The Motor Pool overage is due an asset transfer of insurance proceeds received in the General Fund, which were not budgeted. Excess revenues received from businesses for Title V compliance are transferred to the Health Title V Clean Air Act fund each year-end. This transfer is not budgeted.

Expenditures for the debt service funds are not controlled on a line item basis, and routine debt service expenditures as a whole were under budget. In addition, the practice of budgeting transfers to component units and other funds as contra revenue rather than expenditures accounted for the excesses in other financial uses.

NOTE 8 - CONTRIBUTED CAPITAL

The following summarizes the changes in contributed capital during the year ended June 30, 2001:

	Enterprise Funds	Internal Service Funds	Total Primary Government	Proprietary Type Component Units	Total Reporting Entity
Contributed capital July 1, 2000	\$ 560,452,757	\$ 36,525,588	\$ 596,978,345	\$ 399,835,974	\$ 996,814,319
Cash transactions:					
Contributions, grants and loans	-	-	-	9,803,178	9,803,178
Non-cash transactions:					
Restatement of Metropolitan Development and Housing Agency	-	-	-	(10,433,562)	(10,433,562)
Restatement of Metropolitan Nashville Airport Authority	-	-	-	(8,741,380)	(8,741,380)
Contributions, grants and loans	-	-	-	50,000	50,000
Depreciation, disposal and transfer of fixed assets	-	(22,968,193)	(22,968,193)	(11,587,045)	(34,555,238)
Other sources	-	-	-	520	520
Contributed capital June 30, 2001	<u>\$ 560,452,757</u>	<u>\$ 13,557,395</u>	<u>\$ 574,010,152</u>	<u>\$ 378,927,685</u>	<u>\$ 952,937,837</u>

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 8 - CONTRIBUTED CAPITAL (CONTINUED)

During the fiscal year ended September 30, 1999, the Metropolitan Development and Housing Authority converted from the use of special revenue funds to enterprise funds. During the fiscal year ended September 30, 2000, this conversion resulted in a decrease to contributed capital.

NOTE 9 - PENSION PLANS

All plans of the primary government were established or continue under the authority of the Metropolitan Charter, Article XIII, effective April 1, 1963. Approval of the Metropolitan Council is required to establish and amend benefit provisions. Article XIII also requires that all pension plans be actuarially sound. Administrative costs of the plans are financed through plan assets. The plans are under the jurisdiction of the Metropolitan Employee Benefit Board, an independent entity created by the Metropolitan Charter. No separate financial reports are issued for these plans.

The Government sponsors or guarantees the following single-employer pension plans:

<u>Name</u>	<u>Type</u>	<u>Status</u>
<u>Primary Government</u>		
Fiduciary Fund Types:		
Metro - Division A	Defined Benefit	Closed 1995
Metro - Division B	Defined Benefit	Open
City	Defined Benefit	Closed 1963
County	Defined Benefit	Closed 1963
Metro Education	Defined Benefit	Closed 1969
City Education	Defined Benefit	Closed 1963
County Education	Defined Benefit	Closed 1963
<u>Component Units</u>		
Sports Authority and Hospital Authority	Included in primary government plans	
Metropolitan Development and Housing Agency	Defined Contribution	Open
Electric Power Board	Defined Benefit	Open
Metropolitan Transit Authority	Defined Benefit	Open
Nashville Thermal Transfer Corporation	Defined Contribution	Open
Metropolitan Nashville Airport Authority	Defined Benefit	Open

The Metropolitan Transit Authority guarantees the plan sponsored by the Davidson Transit Organization (DTO), which provides Metropolitan Transit Authority labor. For comparative purposes, the DTO pension plan information, where presented, is disclosed as the Metropolitan Transit Authority plan.

Beginning July 1, 2000, the City, County, Metro Education, City Education, and County Education plans became participants in the Guaranteed Payment Program (GPP), an umbrella program created by the Metropolitan Council to ensure actuarially sound funding for the five closed plans. Under the GPP, unfunded liabilities of the aggregate program are amortized over a period of no more than thirty years. Contributions on behalf of the five individual plans move to a payment account from which distributions are paid to the constituent plans of the GPP as necessary to satisfy current benefit needs and to satisfy long-term funding objectives of the GPP.

Summary of Significant Accounting Policies

The pension funds are reported using the accrual basis of accounting. Employer and employee contributions are recognized in the period due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans. The net pension obligation (amounts of unfunded actuarially determined contributions that are not expected to be liquidated with expendable available financial resources) are reported in the General Long-term Debt Account Group. All plans with a net pension obligation are governmental in nature. Certain plans which have a net pension asset have participants employed by proprietary activities; however, the portion of the net pension asset allocable to the proprietary activities could not be determined.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 9 - PENSION PLANS (CONTINUED)

Investments are reported at fair value. Common stocks, bonds and U.S. Government and other domestic and foreign securities are stated at quoted market prices as of June 30, 2001.

Plan Descriptions

Primary Government

The Primary Government plans are administered by the Government, and the authority under which the obligations to contribute to the plan were created, and the authority under which either may be amended, are granted by the Metropolitan Charter.

Metro Plan

Division A

This plan (The Metropolitan Employees' Benefit Trust Fund) was established at the inception of the Government on April 1, 1963 and implemented on November 4, 1964. At that time, all employees of the former city and county governments were given the option of continuing as participants of the pension plans of those organizations or transferring to the Metro Plan. Division A of the Metro Plan was closed to new members on July 1, 1995.

Normal retirement for employees other than policemen and firemen occurs at age 65 and entitles employees to a lifetime monthly benefit of 1/12 of the sum of 1% of average base earnings, as defined by the Social Security Administration, plus 1.75% of average excess earnings multiplied by the years of credited service, plus cost-of-living adjustments. Average earnings is the average earnings for the last 60 consecutive months in which earnings were highest. Benefits fully vest on completing 10 years of service.

Normal retirement for policemen and firemen occurs upon reaching age 55 and completing 20 years of service. The lifetime monthly benefit is calculated as 1/12 of the sum of 2% of average earnings up to 25 years of credited service plus 1.75% of average earnings for all years of credited service in excess of 25, reduced by the amount of primary social security benefits at age 65 and increased by cost-of-living adjustments. In no event shall police and fire pensions be less than that due employees who are not policemen or firemen. Benefits fully vest on completing 10 years of service.

Any employee who terminates after the completion of at least 10 years of service and before eligibility for normal retirement shall be eligible to receive a monthly deferred pension which shall commence on the first day of the month following the attainment of age 65, computed and payable in accordance with the Metro Plan.

Division B

As of July 1, 1995, Division B of the Metro Plan was established. All employees with an effective hire date of July 1, 1995 or later are only eligible to participate in Division B of the Metro Plan. Also, Government employees as of June 30, 1995 who were qualified members of Division A were given the option to transfer to Division B as of January 1, 1996, subject to written application approved by the Benefit Board. Substantially all employees transferred to Division B of the Metro Plan.

Normal retirement for employees other than policemen and fire fighters occurs at the unreduced retirement age which is the earlier of (a) the date when the employee's age plus the completed years of credited employee service equals 85, but not before age 60; and (b) the date when the employee reaches age 65 and completes 5 years of credited employee service. The lifetime monthly benefit is calculated as 1/12 of the sum of 1.75% of average earnings for all years of credited service. Benefits fully vest on completing 10 years of service.

Normal retirement for policemen and fire fighters occurs any time after attaining the unreduced retirement age which is the date when the employee's age plus the completed years of credited police and fire service equals 75, but not before age 53 nor after age 60. The lifetime monthly benefit is 1/12 of the sum of 2% of average earnings for each year of credited fire and police service not in excess of 25 years; plus 1.75% of average earnings for each year that the credited police or fire service exceeds 25 years. Benefits fully vest on completing 10 years of service.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 9 - PENSION PLANS (CONTINUED)

An early retirement pension is available for retired employees if the termination occurs prior to the eligibility under normal retirement but after age 50 (45 for police and fire) and after the completion of 10 years of credited employee service. Such shall be payable as either a monthly deferred early employee service pension beginning the month after the attainment of the normal retirement age or an immediate monthly early employee service pension beginning on the first day of the month following termination. The lifetime monthly benefit for the immediate monthly early employee service pension is reduced by 4% for each of the first 5 years by which the retirement date precedes the normal retirement age, and by 8% for each additional year by which the retirement date precedes the normal retirement age; provided, however, that the immediate monthly benefit shall not be less than the actuarial equivalent of the deferred pension provided by the Metro Plan.

Any employee who terminates after the completion of at least 10 years of service and before eligibility for normal retirement or early retirement shall be eligible to receive a monthly deferred pension which shall commence on the first day of the month following the attainment of unreduced retirement age, computed and payable in accordance with the Metro Plan.

Any employee with unused sick leave time at service retirement shall receive 100% credit for the time, subject to an affirmative election at the time of retirement.

All assets of the Metropolitan Employees' Benefit Trust Fund may legally be used to pay benefits to any plan members or beneficiaries, regardless of whether the members participate in Division A or Division B of the Metro Plan.

Subsequent to June 30, 2001, changes to the provisions of the Metro Plan were approved by the Employee Benefit Board and the Metropolitan Council. Benefits now fully vest on completing five years of service. Average earnings are based upon the previous 60 consecutive months which produce the highest earnings. Employees who are rehired are eligible to reconnect prior service after being regularly employed continuously for one year. Dependent children of vested employees are eligible for a survivor benefit if the employee should die leaving no surviving spouse. These changes apply to members who are employees of the Government on or after October 1, 2001.

City Plan

This plan (the Closed City Plan Fund) covers certain employees of the former city of Nashville who have elected to remain under this plan and not transfer to the Metro Plan. This plan was closed to new members on April 1, 1963.

Normal retirement for policemen and firemen occurs upon completing 25 years of service; for other participants, age 60 must be reached in addition to completing 25 years of service. The monthly lifetime benefit of all participants is 50% of the final monthly salary. All participants in the City Plan are fully vested.

County Plan

This plan (the Davidson County Employees' Retirement Fund) covers employees of the former government of Davidson County who have elected to remain under this plan and not transfer to the Metro Plan. This plan was closed to new members on April 1, 1963.

Participants elected coverage under Division A or B. Normal retirement under Division A occurs at age 65; lifetime monthly benefits are the years of credited service multiplied by 0.75% of defined average base earnings per month plus 1.5% of average excess earnings per month. Average earnings is the average earnings for the 10 full consecutive calendar years in which earnings were highest. Normal retirement under Division B occurs after 30 years of service or after 24 years of service and reaching age 60; lifetime monthly benefits are 1/12 of 50% of the highest calendar year earnings. All participants in the County Plan are fully vested.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 9 - PENSION PLANS (CONTINUED)

Metro Education Plan

This plan (the Teachers' Retirement Plan Fund) covers participants who elected to transfer from the City Education Plan and County Education Plan and Board of Education professional employees hired between April 1, 1963 and July 1, 1969. Normal retirement occurs upon reaching age 60 with 20 years of service, completing 25 years of service, or reaching age 65. The lifetime monthly benefit is determined as 1/12 of 2% of the highest average earnings multiplied by the years of service, plus cost-of-living adjustments. Highest average earnings is the average earnings for the 36 consecutive months in which earnings were highest. All participants in the Metro Education Plan are fully vested.

After July 1, 1969 professional employees hired became members of the State Employees, Teachers, and Higher Education Employees Pension Plan, a cost-sharing multiple employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS) that provides retirement, death, and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Members joining the plan on or after July 1, 1979 are vested after five years of service. Members joining prior to July 1, 1979 are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. A financial report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243.

City Education Plan

This plan (the Teachers' Civil Service and Pension Fund) covers employees who were teachers of the former City of Nashville who elected to remain under this plan and not transfer to the Metro Education Plan. This plan was closed to new members on April 1, 1963.

Normal retirement occurs upon reaching age 60 and completing 15 years of service, or completing 25 years of service before reaching age 60. With 15 years of service, the lifetime monthly benefit is 1/12 of 2.5% of the highest annual salary multiplied by the years of service up to 24. With 25 years of service, the lifetime monthly benefit is 1/12 of 2% of the highest annual salary multiplied by the years of service up to 30. Benefits are adjusted for cost-of-living increases. All participants in the City Education Plan are fully vested.

County Education Plan

This plan (the Employees' Pension and Insurance Fund) covers teachers and classified employees of the former Davidson County Board of Education who have elected to remain under this plan and not transfer to the Metro Education Plan. This plan was closed to new members on April 1, 1963.

Normal retirement occurs upon reaching age 60 and completing 15 years of service, or completing 25 years of service before reaching age 60. With 15 years of service, the lifetime monthly benefit is 1/12 of 2.5% of the highest annual salary multiplied by the years of service up to 24. With 25 years of service, the lifetime monthly benefit is 1/12 of 2% of the highest annual salary multiplied by the years of service up to 30. Benefits are adjusted for cost-of-living increases. All participants in the County Education Plan are fully vested.

Component Units

Metropolitan Development and Housing Agency

The Agency's retirement plan is a 401(a) plan administered by the Vanguard Group as of April 1, 2000. Prior to April 1, 2000, the Agency participated with several other housing authorities in the Housing-Renewal and Local Agency Retirement Plan which was administered by William M. Mercer.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 9 - PENSION PLANS (CONTINUED)

The plan, which is principally a defined contribution plan, also provides certain minimum defined benefits for employees who were participants in the Agency's Retirement Fund as of September 30, 2000. Employees are eligible to participate beginning the first day of the month following the date of hire. There are no required contributions by the participants; however, participants may make voluntary contributions from 0.5% to 10% of their basic compensation and the Agency contributes 13% of participants' basic compensation. Contributions are invested in any of eight funds as elected by the participant. Investment options and voluntary contributions may be changed daily.

Participants are immediately vested in their voluntary contributions plus actual earnings. Participants are also immediately vested in 5.5% of the participants' basic compensation contributed by the Agency. For each year of participation in the plan, participants vest at the rate of 20% of the remaining balance and become fully vested after five years.

Benefits are paid in the form of a cash distribution or various other annuity options at normal retirement date, age 65, death or disability. Participants may also elect to roll the vested portion of their retirement savings into another qualifying plan or an IRA or leave the amount in the plan. Early retirement may be elected by employees at age 55 who have at least ten years of service.

The plan issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Metropolitan Development and Housing Agency at P. O. Box 846, Nashville, TN 37202.

Electric Power Board

The plan is a single-employer defined benefit pension plan which provides retirement and survivors' benefits to members and their beneficiaries. Cost of living adjustments are provided to members and their beneficiaries at the discretion of the Electric Power Board. The Metropolitan Charter assigns the authority to establish and amend benefit provisions to the Electric Power Board. The plan is administered by the Electric Power Board.

All full-time regular employees under age 65 are eligible to participate in the plan. The vesting provision of the plan provides for five-year cliff vesting. Electric Power Board employees who retire at or after age 65 and not later than age 70 are entitled to annual retirement benefits payable monthly for life in an amount equal to 2% of final average compensation multiplied by years in the plan not in excess of 35 years. Final average compensation is the average compensation in the 36 consecutive months in which compensation is highest. Unused sick leave may be used to increase credited service and benefit percentage under certain circumstances. Early retirement is an option beginning at age 55 with 15 years of credited service or at age 50 with 30 years of credited service with an actuarially reduced monthly benefit.

At April 1, 2001 (the latest date available), the actuarial value of assets was \$176,541,698, the actuarial accrued liability was \$229,870,247, and the unfunded actuarial accrued liability was \$53,328,549. Covered payroll was \$45,447,890.

The plan does not issue a separate financial report; however, complete financial statements of the Electric Power Board can be obtained from its administrative offices at 1214 Church Street, Nashville, TN 37203.

In 1994 the Electric Power Board established a nonqualified supplemental executive retirement plan limited to certain employees. Benefits accrue at the rate of 5 percent of salary for each year of credited service not to exceed 12 years and vests at the rate of 20% for each year of service, reduced by the percentage accrued and vested under the Electric Power Board's qualified plan. The actuarial assumptions of this plan are the same as those of the Electric Power Board's qualified plan. The plan is a non-qualified plan and, accordingly, the assets are accumulated in a trust fund; however, such assets are subject to the claims of the Electric Power Board's creditors. The Electric Power Board's policy is to fund the plan in accordance with sound actuarial practices and all required contributions have been made.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 9 - PENSION PLANS (CONTINUED)

Metropolitan Transit Authority

The Disability and Retirement Plan of Davidson Transit Organization (the Plan) is a single-employer defined benefit pension plan which covers substantially all employees of the Metropolitan Transit Authority and Local 1235 of the Amalgamated Transit Union (the Union) providing retirement, disability and death benefits to members and their beneficiaries. Articles XII and XIII of the plan document establish the benefits. In accordance with Article XII, monthly benefits will increase 2.8%, and 2.7% effective July 1, 2001 and 2002, respectively. The plan is guaranteed by the Metropolitan Transit Authority which contracts with McDonald Transit Associates to provide management advisory services. That contract stipulates that McDonald Transit Associates is charged with oversight of the employment unit, Davidson Transit Organization.

At July 1, 1999 (the latest date available), the actuarial value of assets was \$14,900,000, the actuarial accrued liability was \$16,000,000, and the unfunded actuarial accrued liability was \$1,100,000. Covered payroll was \$9,200,000.

The plan issues a publicly available report that includes financial statements and required supplementary information. That report may be obtained by writing to the Metropolitan Transit Authority, 130 Nestor Street, Nashville TN, 37210, or by calling (615) 862-5969.

Nashville Thermal Transfer Corporation

The Nashville Thermal Transfer Corporation has a defined contribution pension plan covering all employees after 6 months of service whereby the Corporation contributes a specified percentage (5% at June 30, 2001) of the compensation of the employees. The plan also allows voluntary contributions to be made by employees, up to the legal amount allowed. Pension expense for the year ended June 30, 2001 amounted to \$149,728. Total covered payroll was \$3,012,846, and total payroll for all employees was \$3,213,135 for the year ended June 30, 2001.

The plan does not issue a separate financial report; however, complete financial statements of the Corporation can be obtained from its administrative offices at 110 First Avenue South, Nashville, TN 37210.

Metropolitan Nashville Airport Authority

Effective September 1989, the Airport Authority adopted a single-employer public employee retirement system (PERS) for its employees whereby the net assets available for benefits relative to the Airport Authority's employees were transferred from the Metropolitan Government's pension system to the Metropolitan Nashville Airport Authority Retirement Plan for Employees (the Plan). Certain Airport Authority employees continue to participate in the pension system of the Metropolitan Government. New employees of the Airport Authority and those previously selecting the new Metropolitan Nashville Airport Authority's single-employer PERS are not eligible for participation in the Metropolitan Government's pension system.

The plan is a non-contributory defined benefit pension plan administered by the Airport Authority. The plan provides retirement, disability and death benefits to plan members and beneficiaries. Cost-of-living adjustments are provided to members and beneficiaries at the discretion of the Airport Authority. Benefit provisions are established and may be amended by the Airport Authority.

The plan issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Metropolitan Nashville Airport Authority, One Terminal Drive, Suite 501, Nashville, TN 37214, or by calling (615) 275-1600.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 9 - PENSION PLANS (CONTINUED)

Contributions

Primary Government

Metro Plan

The funding policy is to provide for periodic contributions at actuarially determined rates that are designed to accumulate sufficient assets to pay benefits when due. All other funding is provided by the Government with an actuarially recommended employer contribution rate of 3.60% for Metro Board of Education contributory employees and 5.70% for all other Metro employers.

City Plan

Funding is on a pay-as-you-go basis whereby contributions are made in amounts sufficient to cover benefits paid during the year. Actuarially required employer contributions are not computed because this plan is closed and there are few active employees.

County Plan

Funding is on a pay-as-you-go basis whereby contributions are made in amounts sufficient to cover benefits paid during the year. Actuarially required employer contributions are not computed because this plan is closed and there are few active employees.

Metro Education Plan

The Metro Education Plan is financed by contributions from the Metro Board of Education, participating employees and the State of Tennessee. Employees contribute a specified percentage of their earnings, the State of Tennessee contributes an amount to reimburse current benefits paid equivalent to the benefits which would have been earned under the Tennessee Consolidated Retirement System (TCRS) and the Metro Board of Education contributes an additional amount to provide for periodic contributions as actuarially determined to accumulate sufficient assets to pay benefits when due.

The TCRS plan is financed by contributions from teachers, most of whom are required by state statute to contribute 5 percent of their salary, and by the Metro Board of Education, which contributes at an actuarially determined rate (3.72% of covered payroll for the fiscal year ending June 30, 2001). The contribution requirement is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ending June 30, 2001, 2000, and 1999 were \$8,597,855, \$12,165,312, and \$11,798,474 respectively, and were equal to the required contributions for each year.

City Education Plan

The plan is financed by contributions from the Government, participating employees and the State of Tennessee. Employees contribute a specified percentage of their earnings, the State of Tennessee contributes an amount to reimburse current benefits paid equivalent to the benefits which would have been earned under the TCRS and the Government contributes an additional amount to cover current benefits (pay-as-you-go). Actuarially required employer contributions are not computed because this plan is closed and there are few active employees.

County Education Plan

The plan is financed by contributions from the Government, participating employees and the State of Tennessee. Employees contribute a specified percentage of their earnings, the State of Tennessee contributes an amount to reimburse current benefits paid equivalent to the benefits which would have been earned under the TCRS and the Government contributes an additional amount to cover current benefits (pay-as-you-go). Actuarially required employer contributions are not computed because this plan is closed and there are few active employees.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 9 - PENSION PLANS (CONTINUED)

Component Units

Metropolitan Development and Housing Agency

The Agency's contributions for the year ended September 30, 2000 amounted to \$1,679,850, which equaled the amount of the annual required contribution. Employee contributions were \$109,904. The Agency's payroll for employees covered by this plan was \$12,749,154, and total payroll amounted to \$14,919,782 during the fiscal year ended September 30, 2000.

Electric Power Board

The contribution requirements of plan members and the Board are established and may be amended by the Board. The plan is currently non-contributory. The Board's policy is to fund at least the minimum contribution for a 30 year funding level. The current rate is 15.46% of annual covered payroll. The annual required contribution for the year ended June 30, 2001 was \$7,024,684, and the actual amount contributed was \$7,024,684. The frozen initial liability method has been used to compute the annual contribution requirement.

Metropolitan Transit Authority

Plan members are required to contribute 4.5% of their covered payroll. The Metropolitan Transit Authority is required to contribute at an actuarially determined rate (5.7% in 2001). Contribution requirements of members and the Metropolitan Transit Authority are established per Article VII of the plan document. Administrative costs of the plan are paid out of plan assets. The annual pension costs and annual required contribution for the year ended June 30, 2001 was \$661,000, and the actual amount contributed was \$661,000. The entry age normal method has been used to compute the annual contribution requirement.

Metropolitan Nashville Airport Authority

The total contribution rate is established by the Authority through consultation with actuaries. The annual required contribution for the year ended June 30, 2001 was \$1,057,258, and the actual amount contributed was \$1,057,258. Both amounts represent 10.28% of covered payroll. The Authority's policy is to fund benefits in the period in which they are earned according to actuarially determined contribution requirements intended to cover the required contribution. The aggregate actuarial cost method has been used to compute the annual required contribution to the plan.

Selected Pension Information

Information regarding annual pension cost and net pension obligation (asset), trend information, and participant information for the plans of the primary government is summarized on the following schedules. The net pension benefit obligations for the Metro Board of Education plans are calculated net of expected reimbursements from the State of Tennessee. Information for the plans of the component units is omitted due to the inavailability of the information in separately issued reports in a consistent manner.

The significant actuarial assumptions underlying the plans of the primary government are summarized on the following schedules. The assumptions used to calculate the actuarially determined contribution requirements are the same as those used to compute the net pension obligation except where indicated. Information for the plans of the component units is omitted due to the inavailability of the information in separately issued reports in a consistent manner.

Required Supplementary Information

A Schedule of Funding Progress and a Schedule of Employer Contributions as required by GASB Statement No. 25 are included following the Selected Pension Information.

Other

The only plan having an individual investment which exceeds 5% of plan assets at June 30, 2001 is the Metro Plan (S&P 500 Flagship Series A totaling \$302,341,876). The categorization of pension investments by asset type is included in Note 4 – Cash and Investments.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 9 - PENSION PLANS (CONTINUED)

SELECTED PENSION INFORMATION

	Metro	City	County
ANNUAL PENSION COST AND NET PENSION OBLIGATION (ASSET) - FISCAL 2001			
Annual required contribution	\$ 21,918,101	\$ 7,784,542	\$ 1,838,038
Interest on net pension obligation	(2,153,535)	(753,962)	(763,124)
Adjustment to annual required contribution	2,872,329	837,159	847,333
Annual pension cost	22,636,895	7,867,739	1,922,247
Contributions made	(28,622,300)	(11,412,690)	(2,733,131)
Increase (decrease) in net pension obligation	(5,985,405)	(3,544,951)	(810,884)
Net pension obligation (asset) beginning of year	(26,919,189)	(9,424,520)	(9,539,047)
Net pension obligation (asset) end of year	\$ (32,904,594)	\$ (12,969,471)	\$ (10,349,931)
THREE-YEAR TREND INFORMATION			
2001			
Annual pension cost (APC)	\$ 22,636,895	\$ 7,867,739	\$ 1,922,247
Percentage of APC contributed	126.44%	145.06%	142.18%
Net pension obligation (asset)	\$ (32,904,594)	\$ (12,969,471)	\$ (10,349,931)
2000			
Annual pension cost (APC)	\$ 27,898,908	\$ 8,241,890	\$ 2,087,102
Percentage of APC contributed	130.54%	146.02%	140.96%
Net pension obligation (asset)	\$ (26,919,189)	\$ (9,424,520)	\$ (9,539,047)
1999			
Annual pension cost (APC)	\$ 33,788,847	\$ 8,224,662	\$ 2,083,040
Percentage of APC contributed	120.51%	153.00%	150.50%
Net pension obligation (asset)	\$ (18,399,886)	\$ (5,631,421)	\$ (8,684,094)
PARTICIPANTS - Latest Actuarial Valuation Date			
Active:			
Fully vested	6,114	-	-
Non-vested and partially vested	5,619	-	-
Total active	11,733	-	-
Retirees and beneficiaries receiving benefits	4,276	988	247
Terminated vested	184	-	-
Total	16,193	988	247

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 9 - PENSION PLANS (CONTINUED)

SELECTED PENSION INFORMATION

<u>Metro Education</u>	<u>City Education</u>	<u>County Education</u>	<u>Total Primary Government</u>
\$ 10,742,379	\$ 3,221,233	\$ 5,332,537	\$ 50,836,830
3,112,433	(301,525)	361,310	(498,403)
<u>(3,455,883)</u>	<u>334,797</u>	<u>(400,681)</u>	<u>1,035,054</u>
10,398,929	3,254,505	5,293,166	51,373,481
<u>(5,979,961)</u>	<u>(4,417,182)</u>	<u>(6,809,746)</u>	<u>(59,975,010)</u>
4,418,968	(1,162,677)	(1,516,580)	(8,601,529)
<u>38,905,408</u>	<u>(3,769,058)</u>	<u>4,516,377</u>	<u>(6,230,029)</u>
<u>\$ 43,324,376</u>	<u>\$ (4,931,735)</u>	<u>\$ 2,999,797</u>	<u>\$ (14,831,558)</u>
\$ 10,398,929	\$ 3,254,505	\$ 5,293,166	\$ 51,373,481
57.51%	135.73%	128.65%	116.74%
\$ 43,324,376	\$ (4,931,735)	\$ 2,999,797	\$ (14,831,558)
\$ 9,090,646	\$ 3,134,077	\$ 4,980,403	\$ 55,433,026
17.63%	149.40%	143.58%	116.95%
\$ 38,905,408	\$ (3,769,058)	\$ 4,516,377	\$ (6,230,029)
\$ 9,049,627	\$ 3,227,855	\$ 5,110,925	\$ 61,484,956
96.42%	132.60%	128.14%	123.59%
\$ 31,417,625	\$ (2,220,696)	\$ 6,686,983	\$ 3,168,511
142	2	9	6,267
-	-	-	5,619
<u>142</u>	<u>2</u>	<u>9</u>	<u>11,886</u>
1,249	344	497	7,601
19	-	-	203
<u>1,410</u>	<u>346</u>	<u>506</u>	<u>19,690</u>

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 9 - PENSION PLANS (CONTINUED)

SELECTED PENSION INFORMATION

	<u>Metro</u>	<u>City (a)</u>	<u>County (a)</u>	<u>Metro Education</u>
ACTUARIAL VALUATION INFORMATION				
Valuation date	July 1, 2000	July 1, 2000	July 1, 2000	July 1, 2000
Actuarial cost method	entry age normal	entry age normal	entry age normal	entry age normal
Amortization method	level dollar closed	level dollar open	level dollar open	level dollar open
Amortization period	40 years (18 remaining)	30 years	30 years	30 years
Asset valuation method	5 year smoothed market	5 year smoothed market	5 year smoothed market	5 year smoothed market
Actuarial assumptions:				
Investment rate of return*	8.00%	8.00%	8.00%	8.00%
Projected salary increases*	5.00%	None	None	5.00%
Postretirement benefit increase adjustments	1.80 - 3.25%	None	None	3.00%
* Includes inflation at	3.25%	3.25%	3.25%	3.00%

(a) These plans are closed and funded on a "pay-as-you-go" basis. Contributions are not made based on actuarial computation.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 9 - PENSION PLANS (CONTINUED)

SELECTED PENSION INFORMATION

<u>City</u> <u>Education (a)</u>	<u>County</u> <u>Education (a)</u>
July 1, 2000	July 1, 2000
entry age normal	entry age normal
level dollar open	level dollar open
30 years	30 years
market	market
8.00%	8.00%
5.00%	5.00%
3.00%	3.00%
3.00%	3.00%

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 9 - PENSION PLANS (CONTINUED)

SCHEDULE OF FUNDING PROGRESS (d)

Unaudited - See Accompanying Accountants' Report

Actuarial Valuation Date		Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded (Overfunded) AAL	Funded Ratio
Metro Plan					
July 1, 1995		\$ 719,734,278	\$ 856,068,393	\$ 136,334,115	84.07 %
July 1, 1996		819,031,667	931,082,784	112,051,117	87.97
July 1, 1997		945,348,756	1,055,700,536	110,351,780	89.55
July 1, 1998		1,084,563,971	1,193,291,692	108,727,721	90.89
July 1, 1999		1,241,356,861	1,350,000,989	108,644,128	91.95
July 1, 2000		1,419,820,507	1,522,468,982	102,648,475	93.26
City Plan (a)					
July 1, 1995	(b)	-	-	-	-
July 1, 1996		-	103,380,560	103,380,560	-
July 1, 1997	(b)	-	-	-	-
July 1, 1998		-	101,792,628	101,792,628	-
July 1, 1999	(b)	-	-	-	-
July 1, 2000		-	91,006,918	91,006,918	-
County Plan (a)					
July 1, 1995	(b)	-	-	-	-
July 1, 1996		-	27,187,468	27,187,468	-
July 1, 1997	(b)	-	-	-	-
July 1, 1998		-	25,430,114	25,430,114	-
July 1, 1999	(b)	-	-	-	-
July 1, 2000		-	21,487,993	21,487,993	-
Metro Education Plan					
July 1, 1995	(c)	-	-	-	-
July 1, 1996		92,751,025	212,250,602	119,499,577	43.70
July 1, 1997		100,223,414	220,373,524	120,150,110	45.48
July 1, 1998		109,278,714	222,220,929	112,942,215	49.18
July 1, 1999		112,112,056	226,253,095	114,141,039	49.55
July 1, 2000		105,021,868	230,608,033	125,586,165	45.54

(a) Plan is closed and funded on a "pay-as-you-go" basis.

(b) The valuations of the closed City and County pension plans are performed on a bi-annual basis.

(c) Information calculated in accordance with the parameters outlined in GASB Statement No. 27 is not available.

(d) There are no factors that significantly affect the identification of trends in the amounts reported. See assumptions used in the preparation of the Schedule previously disclosed in this note.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 9 - PENSION PLANS (CONTINUED)

SCHEDULE OF FUNDING PROGRESS (CONTINUED) (d)

Unaudited - See Accompanying Accountants' Report

	Covered Payroll	Unfunded AAL as a Percentage of Covered Payroll
\$	289,341,838	47.12 %
	306,757,122	36.53
	336,276,286	32.82
	359,932,634	30.21
	375,552,645	28.93
	384,283,394	26.71
	-	-
	36,419	-
	-	-
	-	-
	-	-
	-	-
	-	-
	-	-
	106,553	-
	-	-
	-	-
	-	-
	-	-
	-	-
	15,932,682	750.03
	14,171,823	847.81
	11,224,795	1,006.19
	9,951,951	1,146.92
	8,071,426	1,555.94

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 9 - PENSION PLANS (CONTINUED)

SCHEDULE OF FUNDING PROGRESS (d)

Unaudited - See Accompanying Accountants' Report

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded (Overfunded) AAL	Funded Ratio
City Education Plan (a)				
July 1, 1995	\$ -	\$ 44,550,890	\$ 44,550,890	- %
July 1, 1996	-	43,521,835	43,521,835	-
July 1, 1997	-	42,046,382	42,046,382	-
July 1, 1998	-	40,870,102	40,870,102	-
July 1, 1999	-	39,598,968	39,598,968	-
July 1, 2000	-	37,658,538	37,658,538	-
County Education Plan (a)				
July 1, 1995	-	67,350,976	67,350,976	-
July 1, 1996	-	66,621,096	66,621,096	-
July 1, 1997	-	64,780,582	64,780,582	-
July 1, 1998	-	64,942,095	64,942,095	-
July 1, 1999	-	63,208,011	63,208,011	-
July 1, 2000	-	62,341,205	62,341,205	-

(a) Plan is closed and funded on a "pay-as-you-go" basis.

(d) There are no factors that significantly affect the identification of trends in the amounts reported. See assumptions used in the preparation of the Schedule previously disclosed in this note.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 9 - PENSION PLANS (CONTINUED)

SCHEDULE OF FUNDING PROGRESS (CONTINUED) (d)

Unaudited - See Accompanying Accountants' Report

	Covered Payroll	Unfunded AAL as a Percentage of Covered Payroll
\$	681,290	- %
	512,282	-
	512,282	-
	242,820	-
	242,820	-
	168,000	-
	1,598,881	-
	1,350,521	-
	1,350,521	-
	934,645	-
	934,645	-
	480,448	-

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 9 - PENSION PLANS (CONTINUED)

SCHEDULE OF EMPLOYER CONTRIBUTIONS (c)

Unaudited - See Accompanying Accountants' Report

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
Metro Plan		
1996	\$ 39,483,096	106.45 %
1997	38,659,299	116.17
1998	35,648,309	127.61
1999	33,538,193	121.41
2000	27,454,972	132.65
2001	21,918,101	130.59
City Plan (a)		
County Plan (a)		
Metro Education Plan		
1996 (b)	-	-
1997	9,793,567	63.87
1998	9,800,117	73.16
1999	9,161,016	95.25
2000	9,220,140	17.38
2001	10,742,379	55.67
City Education Plan (a)		
County Education Plan (a)		

(a) Plan is closed and funded on a "pay-as-you-go" basis.

(b) Information calculated in accordance with the parameters outlined in GASB Statement No. 27 is not available.

(c) See assumptions used in the preparation of the Schedule previously disclosed in this note.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 9 - PENSION PLANS (CONTINUED)

Post - Retirement Benefits

Primary Government

Metropolitan Government

For any retiree in the Metro, City or County Plans who elects to participate in the Metro hospitalization insurance program, the Government contributes 75% of all premium payments, and the retiree contributes 25%. Funding is on a pay-as-you-go basis under which payments are made in amounts sufficient to cover benefits paid, administrative costs and anticipated inflationary increases. Benefits paid by the Government for the fiscal year ended June 30, 2001 totaled \$10,924,799.

The Government also provides a matching contribution on dental insurance for any retiree who elects to participate and provides life insurance at no charge. Benefits paid by the Government for dental and life insurance totaled \$1,036,344 and \$827,302, respectively, for the fiscal year ended June 30, 2001.

The post-retirement benefits for the Metro plans were authorized by the Government's charter. During the year ended June 30, 2001, 5,626 participants were eligible to receive post-retirement benefits.

Metro Board of Education

For any retiree in the Metro, City or County Education Plans who elects to participate in the Board of Education medical and dental insurance plans, the Board contributes 71% of all premium payments with the retiree contributing the remaining 29%. Funding is on a pay-as-you go basis under which payments are made in amounts sufficient to cover benefits paid. Benefits paid by the Board of Education for the fiscal year ended June 30, 2001 totaled \$5,656,587. During the year ended June 30, 2001, 2,305 participants were eligible to receive post-retirement benefits. The post-retirement benefits for teachers of the Metro Board of Education were authorized by the Government's charter.

Component Units

Electric Power Board

The Electric Power Board provides post-retirement health care benefits to all employees who retire under the provisions of the qualified pension plan and supplemental executive retirement plan. Currently, 457 retirees meet those eligibility requirements. Expenditures for post-retirement health care benefits are recognized as retirees report claims. Expenditures of \$4,844,663 for the year ended June 30, 2001 were recognized for post-retirement health care. The post-retirement benefits for the Electric Power Board employees were authorized by the Government's charter.

Metropolitan Transit Authority

Medical, dental, vision and prescription card insurance benefits are available to all employees retiring from the Metropolitan Transit Authority through its self-insurance plan. Participants contribute to the cost of these benefits based on age and type of coverage. The portion funded by the Metropolitan Transit Authority is expensed as the coverage is provided. During the year ended June 30, 2001, total medical benefit claims expense incurred amounted to \$580,192. Future claims cannot be estimated. At June 30, 2001, 107 retirees were covered under this plan.

Life insurance benefits for retirees and their spouses are also self-insured. Life insurance coverage is \$10,000 on each retired employee and \$2,500 on the spouse of the retired employee, except for two former Class I employees who are entitled to an \$11,250 benefit. During the year ended June 30, 2001, the Metropolitan Transit Authority recognized an expense for death benefit claims totaling \$12,500. Future such claims cannot be estimated. However, at June 30, 2001, 121 retirees were covered under this plan.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 9 - PENSION PLANS (CONTINUED)

Metropolitan Nashville Airport Authority

Under the Airport Authority's PERS, the Airport Authority pays 75% of the medical coverage cost, with the retirees paying the remaining 25%. The Airport Authority also pays 100% of the premium cost of a \$7,500 life insurance policy on each retiree. In addition, the retirees have the option to pay 100% of the cost of dental, vision and supplemental life insurance coverage. Currently, 51 retirees are receiving benefits under this PERS. During the year ended June 30, 2001, payments of \$342,149 were made by the Authority for post-retirement benefits under this PERS.

New employees of the Airport Authority and those previously selecting the new Airport Authority plan are not eligible for participation in the Government's pension plan. However, certain other Airport Authority employees do participate in the Metro Plan. The Airport Authority pays the same percentage as stated above for the medical, dental and life premiums. Currently, 31 retirees are receiving benefits from the Metro Plan. During the year ended June 30, 2001, payments of \$91,166 were made to the Government for post-retirement benefits under this PERS.

Payments for these post-retirement benefits are expensed as they are incurred. During the year ended June 30, 2001, \$433,315 of post-retirement benefits were recognized as expense.

NOTE 10 - DEFERRED COMPENSATION AND PROFIT SHARING PLANS

Primary Government

Metro Plan

The Government offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits deferral of a portion of salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. Because the assets are not held in a trustee capacity by the Government, they are not included in the Government's financial statements.

Component Units

Metropolitan Development and Housing Agency

The Agency sponsors a deferred compensation plan, available to all employees, created in accordance with Internal Revenue Code Section 457. The plan permits all employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. No contributions are made to this plan by the Agency.

All assets and income from the 457 plan are to be held in trust for the exclusive benefit of the participants and their beneficiaries and investment assets are carried at fair value. The financial position and results of operations of the 457 plan, the Employee Benefit Fund, are reported as an expendable trust fund. Investments of the deferred compensation plan are managed under one of 27 investment options, or a combination thereof. The choice of the investment options is made by the participants. As of September 30, 2000, \$2,760,489 had been invested by employees in the Agency's deferred compensation plan.

Electric Power Board

The Electric Power Board has a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time employees, permits employees to defer a portion of their salary until future years with the Board providing a matching contribution at up to 3% of compensation. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The plan provides that assets or income of the plan shall be used for the exclusive purpose of providing benefits for participants and their beneficiaries or defraying reasonable expenses of administration of the plan. Since the assets of the plan are held in custodial

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

and annuity accounts for the exclusive benefit of plan participants, the related assets of the plan are not reflected on the balance sheet.

NOTE 10 - DEFERRED COMPENSATION AND PROFIT SHARING PLANS (CONTINUED)

Nashville Thermal Transfer Corporation Profit - Sharing Plan

The Nashville Thermal Transfer Corporation has a profit-sharing plan pursuant to Section 401 of the Internal Revenue Code, whereby after six months of service employees may elect to participate and contribute from 1% to 15% of their annual compensation, but not in excess of the maximum allowed. The plan provides for a matching contribution by the Corporation equal to 50% of salary deferrals up to 7%. Matching contributions of \$65,196 were made for the year ended June 30, 2001.

Metropolitan Nashville Airport Authority

The Metropolitan Nashville Airport Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Airport Authority employees, permits the deferral of a portion of salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Since the assets of the plan are held in custodial and annuity accounts for the exclusive benefit of plan participants, the related assets of the plan are not reflected on the Airport Authority's balance sheet. Beginning January 1, 2001, the Authority's matching contributions are made to a deferred compensation plan created in accordance with Internal Revenue Code Section 401(a). The contribution by the Airport Authority to this plan was \$542,278 for the year ended June 30, 2001.

NOTE 11 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The Government maintains various enterprise funds which provide water, sewer and other services. Segment information for the year ended June 30, 2001 is summarized as follows:

Balance Sheets

	Department of Water and Sewerage Services	Nashville Convention Center	Board of Fair Commissioners	Farmers Market	Police Secondary Employment	Total Enterprise Funds
Current assets	\$ 34,986,097	\$ 2,203,110	\$ 8,811,221	\$ 761,367	\$ 502,929	\$ 47,264,724
Restricted assets	326,072,017	-	-	-	-	326,072,017
Property, plant and equipment – net	1,215,751,349	39,766,039	2,965,065	3,703,401	59,014	1,262,244,868
Other non-current assets	9,402,400	-	50,000	-	-	9,452,400
Total assets	<u>\$ 1,586,211,863</u>	<u>\$ 41,969,149</u>	<u>\$ 11,826,286</u>	<u>\$ 4,464,768</u>	<u>\$ 561,943</u>	<u>\$ 1,645,034,009</u>
Current liabilities (payable from current assets)	\$ 10,628,817	\$ 1,645,926	\$ 643,165	\$ 262,100	\$ 407,937	\$ 13,587,945
Current liabilities (payable from restricted assets)	42,794,696	-	-	-	-	42,794,696
Long-term debt-net of current maturities	574,711,393	-	-	2,340,000	-	577,051,393
Contributed capital	502,188,592	56,775,770	1,488,395	-	-	560,452,757
Retained earnings (deficit)	455,888,365	(16,452,547)	9,694,726	1,862,668	154,006	451,147,218
Total liabilities and equity	<u>\$ 1,586,211,863</u>	<u>\$ 41,969,149</u>	<u>\$ 11,826,286</u>	<u>\$ 4,464,768</u>	<u>\$ 561,943</u>	<u>\$ 1,645,034,009</u>

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 11 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS (CONTINUED)

Statements of Income (Loss)

	Department of Water and Sewerage Services	Nashville Convention Center	Board of Fair Commissioners	Farmers Market	Police Secondary Employment	Total Enterprise Funds
Operating revenues	\$ 152,171,853	\$ 3,777,918	\$ 3,308,160	\$ 826,510	\$ 2,405,234	\$ 162,489,675
Operating expenses	108,157,840	6,412,851	3,684,582	924,954	2,212,062	121,392,289
Operating income (loss)	44,014,013	(2,634,933)	(376,422)	(98,444)	193,172	41,097,386
Nonoperating revenue (expense):						
Interest income	19,065,879	106,990	488,949	42,721	422	19,704,961
Interest expense	(34,640,036)	-	-	(140,588)	-	(34,780,624)
Arbitrage expense	(1,511,034)	-	-	-	-	(1,511,034)
Gain (loss) on sale of property	1,186	(315)	1,755	-	-	2,626
Other	1,205,690	-	-	-	-	1,205,690
Income (loss) before operating transfers and capital grants and contributions	28,135,698	(2,528,258)	114,282	(196,311)	193,594	25,719,005
Operating transfers in	131,718	1,202,334	-	260,588	-	1,594,640
Operating transfers out	(379,850)	-	(20,000)	-	(98,093)	(497,943)
Capital grants and contributions	18,431,359	-	-	-	-	18,431,359
NET INCOME (LOSS)	\$ 46,318,925	\$ (1,325,924)	\$ 94,282	\$ 64,277	\$ 95,501	\$ 45,247,061

Other Data

Property, plant and equipment:						
Additions	\$ 45,380,866	\$ -	\$ 901,197	\$ -	\$ 60,000	\$ 46,342,063
Disposals	1,235,864	25,267	-	-	-	1,422,589
Depreciation and amortization expense	42,304,633	1,190,480	303,433	156,491	986	43,956,023
Net working capital	24,357,280	557,184	8,168,056	499,267	94,992	33,676,779

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 12 - CONDENSED FINANCIAL STATEMENTS FOR COMPONENT UNITS

The financial statements of the Government include various component units which provide housing, health care, electric, heating, transportation and other services. Condensed financial statements for the year ended June 30, 2001 of the major component units are as follows:

Governmental Types

Condensed Balance Sheets

	Nashville District Management Corporation	Sports Authority	Total Governmental Types
Cash and cash equivalents	\$ 434,189	\$ 26,444,260	\$ 26,878,449
Investments	-	17,373,585	17,373,585
Due from the primary government	-	61,845	61,845
Property, plant and equipment (including general fixed assets) - net	-	418,969,497	418,969,497
Amount available in debt service funds	-	4,912,860	4,912,860
Amount to be provided for retirement of long-term debt	-	88,837,140	88,837,140
Other assets	30,582	788,292	818,874
Total assets	\$ 464,771	\$ 557,387,479	\$ 557,852,250
Accounts payable	\$ 91,555	\$ 20,055,011	\$ 20,146,566
Due to the primary government	-	1,162,322	1,162,322
Other liabilities	-	26,408	26,408
Revenue bonds and other liabilities payable	-	93,750,000	93,750,000
Fund equity	373,216	442,393,738	442,766,954
Total liabilities and fund equity	\$ 464,771	\$ 557,387,479	\$ 557,852,250

Condensed Statements of Revenues, Expenditures and Changes in Fund Balances

Total revenues	\$ 25,908	\$ 11,408,774	\$ 11,434,682
Current expenditures	497,535	24,815,403	25,312,938
Capital outlay expenditures	-	168,178	168,178
Debt service expenditures	-	7,390,084	7,390,084
Total expenditures	497,535	32,373,665	32,871,200
Excess (deficiency) of revenues over expenditures	(471,627)	(20,964,891)	(21,436,518)
Operating transfers from the primary government	546,071	5,097,533	5,643,604
Excess (deficiency) of revenues and operating transfers over expenditures	\$ 74,444	\$ (15,867,358)	\$ (15,792,914)

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 12 - CONDENSED FINANCIAL STATEMENTS FOR COMPONENT UNITS (CONTINUED)

Proprietary Types

	<u>Condensed Balance Sheets</u>						
	Hospital Authority	Metropolitan Development and Housing Agency	Electric Power Board	Nashville Thermal Transfer Corporation	Metropolitan Nashville Airport Authority	Other Proprietary Types	Total Proprietary Types
Current assets	\$ 25,940,910	\$ 59,125,393	\$ 128,176,282	\$ 4,039,668	\$ 34,098,535	\$ 8,599,779	\$ 259,980,567
Due from the primary government	87,005	-	-	270,920	-	349	358,274
Restricted assets	106,485	1,413,428	130,370,341	21,462,938	159,986,401	63	313,339,656
Notes receivable	-	15,763,346	4,247,295	-	3,465,391	-	23,476,032
Property, plant and equipment - net	63,717,445	164,679,798	554,118,810	38,995,236	382,448,598	27,422,546	1,231,382,433
Other non-current assets	-	48,546,314	2,863,129	725,885	6,163,158	-	58,298,486
Total assets	<u>\$ 89,851,845</u>	<u>\$ 289,528,279</u>	<u>\$ 819,775,857</u>	<u>\$ 65,494,647</u>	<u>\$ 586,162,083</u>	<u>\$ 36,022,737</u>	<u>\$ 1,886,835,448</u>
Current liabilities (payable from current assets)	\$ 28,463,193	\$ 26,301,479	\$ 111,279,564	\$ 847,830	\$ 6,302,555	\$ 2,346,483	\$ 175,541,104
Due to the primary government	268,427	-	-	415	-	2,005,701	2,274,543
Current liabilities (payable from restricted assets)	149,729	118,627	2,173,545	7,538,266	24,059,688	-	34,039,855
Long-term debt - net of current maturities	43,458,181	68,875,308	392,308,573	63,489,752	397,405,161	786,153	966,323,128
Fund equity (deficit)	<u>17,512,315</u>	<u>194,232,865</u>	<u>314,014,175</u>	<u>(6,381,616)</u>	<u>158,394,679</u>	<u>30,884,400</u>	<u>708,656,818</u>
Total liabilities and fund equity	<u>\$ 89,851,845</u>	<u>\$ 289,528,279</u>	<u>\$ 819,775,857</u>	<u>\$ 65,494,647</u>	<u>\$ 586,162,083</u>	<u>\$ 36,022,737</u>	<u>\$ 1,886,835,448</u>
<u>Condensed Statements of Revenues, Expenses and Changes in Retained Earnings</u>							
Operating revenues	\$ 70,527,324	\$ 14,809,149	\$ 716,539,694	\$ 12,526,044	\$ 54,750,919	\$ 13,063,566	\$ 882,216,696
Operating expenses	<u>111,780,326</u>	<u>158,759,808</u>	<u>696,313,793</u>	<u>18,863,751</u>	<u>49,055,352</u>	<u>30,296,186</u>	<u>1,065,069,216</u>
Operating income (loss)	(41,253,002)	(143,950,659)	20,225,901	(6,337,707)	5,695,567	(17,232,620)	(182,852,520)
Nonoperating revenue (expense)	<u>612,806</u>	<u>138,121,408</u>	<u>(11,091,001)</u>	<u>(3,123,244)</u>	<u>(886,140)</u>	<u>1,112,837</u>	<u>124,746,666</u>
Income (loss) before operating transfers and capital grants and contributions	(40,640,196)	(5,829,251)	9,134,900	(9,460,951)	4,809,427	(16,119,783)	(58,105,854)
Operating transfer from (to) the primary government and component units - net	35,231,510	4,847,070	(52,814)	11,613,563	530,062	7,252,266	59,421,657
Capital grants and contributions	<u>158,068</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,132,951</u>	<u>10,291,019</u>
Net income (loss)	<u>\$ (5,250,618)</u>	<u>\$ (982,181)</u>	<u>\$ 9,082,086</u>	<u>\$ 2,152,612</u>	<u>\$ 5,339,489</u>	<u>\$ 1,265,434</u>	<u>\$ 11,606,822</u>

Other Data

Capital contributions	\$ 158,068	\$ 9,853,178	\$ -	\$ -	\$ -	\$ 10,132,951	\$ 20,144,197
Depreciation and amortization	4,503,133	7,879,524	23,790,221	5,311,497	15,880,649	8,757,981	66,123,005

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 13 - LEASES

Primary Government

The Government leases certain facilities from various lessors under operating lease agreements. Total rental expenditures under these leases are nominal for the year ended June 30, 2001.

The Government leases certain warehouse and office space and various other places for periodic use to various lessees. Such leases are accounted for as operating leases and range in duration from less than one year to five years. The lease agreements provide for fixed rental payments. Annual rental income under these operating leases is nominal.

The Government entered into a capital lease agreement with the State of Tennessee for the construction of a Farmers Market. Under the terms of the agreement, the Government will lease the building for 20 years at a cost of \$3,645,000. Lease payments began in June 1996 with an initial payment of \$645,000. The remaining lease payments will be made over the initial term of the lease in annual rental payments. At June 30, 2001, the leased building is carried in the enterprise funds at \$3,645,000, less accumulated depreciation of \$463,219. A summary of future minimum lease payments and the present value of future lease payments for the capitalized lease as of June 30, 2001 is as follows:

<u>Year Ending June 30,</u>	
2002	\$ 259,708
2003	258,438
2004	256,892
2005	260,008
2006	257,540
Thereafter	<u>2,319,545</u>
Total future minimum lease payments	3,612,131
Less:	
Amount representing interest imputed at 7.5%	1,147,131
Current portion of capital lease	125,000
Long-term capitalized lease obligation	<u>\$ 2,340,000</u>

Component Units

The Government, on behalf of General Hospital, entered into a capital lease agreement with Meharry Medical College for the use of the Hubbard Hospital site on the Meharry campus. Under the terms of the agreement, the Government will lease the building for 30 years at a cost of \$4 million per year. Lease payments began in December 1994 after Meharry Medical College and the Board of Hospitals agreed on a program of renovations by Meharry Medical College on Hubbard Hospital. This lease has been subleased to the Hospital Authority.

A summary of future minimum lease payments and the present value of future lease payments for the capitalized lease as of June 30, 2001 is as follows:

<u>Year Ending June 30,</u>	
2002	\$ 4,000,000
2003	4,000,000
2004	4,000,000
2005	4,000,000
2006	4,000,000
Thereafter	<u>73,666,662</u>
Total future minimum lease payments	93,666,662
Less:	
Amount representing interest imputed at 7.5%	49,570,437
Current portion of capital lease	719,970
Long-term capitalized lease obligation	<u>\$ 43,376,255</u>

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 13 – LEASES (CONTINUED)

At June 30, 2001, the leased building is carried in the proprietary type component units at the present value of minimum future lease payments of \$48,000,000, less accumulated depreciation of \$5,733,333.

General Hospital also has a capital lease agreement with United Telephone – Southeast, Inc., doing business as Sprint, for a telephone system. Under the terms of the Sprint lease agreement, the Hospital will lease the telephone equipment for 5 years at a cost of \$10,807 per month. Lease payments began in February of 1998. A summary of future minimum lease payments required under the agreements as of June 30, 2001 follows:

<u>Year Ending June 30,</u>	
2002	\$ 129,689
2003	<u>86,422</u>
Total future minimum lease payments	216,111
Less:	
Amount representing interest imputed at 14.41%	25,051
Current portion of capital lease	<u>109,134</u>
Long-term capitalized lease obligation	<u>\$ 81,926</u>

The Metropolitan Development and Housing Agency leases certain office space and equipment accounted for as operating leases. Total lease expenditures for the year ended September 30, 2000 were \$98,379, and future minimum rental commitments are insignificant.

The Metropolitan Development and Housing Agency receives rental income under a building lease accounted for as an operating lease. The lease has an initial term of thirty years and provides for an option to renew for seven successive ten-year periods. The lessee is committed to pay base rents totaling \$500,000 annually through 2016, with future minimum lease payments of \$8,125,000. Rental income from other cancelable operating leases amounted to \$475,471 for the year ended September 30, 2000.

The Electric Power Board's rent expense, consisting primarily of payments for pole attachment leases, facilities rental and leasing arrangements for software licensing, amounted to \$777,919 for the year ended June 30, 2001. These arrangements, which are all accounted for as operating leases, are all cancelable, therefore, future minimum rentals under these leases are not significant. Rental income is received under pole attachment leases, which are accounted for as operating leases. These leases are cancelable, therefore, future minimum rentals under these leases are not significant. Rental income from this source totaled \$1,486,272 for the year ended June 30, 2001.

At November 1, 1999, the Metropolitan Transit Authority entered into a capital lease obligation for new buses with a capitalized cost of \$990,591. The future minimum lease payments required under the capital lease as of June 30, 2001, are as follows:

<u>Year Ending June 30,</u>	
2002	\$ 127,223
2003	127,223
2004	127,223
2005	127,223
2006	127,223
Thereafter	<u>445,283</u>
Total future minimum lease payments	1,081,398
Less:	
Amount representing interest imputed at 5.05%	210,929
Current portion of capital lease	<u>84,316</u>
Long-term capitalized lease obligation	<u>\$ 786,153</u>

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 13 – LEASES (CONTINUED)

The Airport Authority leases or has entered into options to lease several tracts of land to developers. The leases expire in 2058. The Airport Authority has received advance payments in the amount of \$2,533,613 which are being amortized into income over the terms of the leases. The buildings and any other improvements constructed on the land become the property of the Airport Authority upon the expiration or termination of the leases.

During the year ended June 30, 1975, the Airport Authority entered into long-term lease agreements with certain of the airlines serving Nashville for use of the facilities at Nashville International Airport. Rentals and fees due under terms of the leases are based upon the Airport Authority's projected cost of providing the facilities to the airlines. These long-term agreements have been amended and restated to extend through September 14, 2017, which is 30 years from the occupancy date of the new terminal. Costs recovered through rentals and fees include expenses of operating and maintaining the airport plus 110% of debt service on all bonds outstanding. The notes receivable from tenants of \$3,465,391 at June 30, 2001 represent expenditures made by the Airport Authority on behalf of certain tenants for improvements at the terminal. The signatory tenant notes accrue interest at 7% while the nonsignatory tenant notes accrue interest at 9%. The notes are to be repaid on a monthly basis through 2015.

Certain bond issues of the Industrial Development Board in prior years provide for lease agreements between the Board and the companies receiving public financing for the construction or improvement of their facilities. The leases require the companies to pay rent during the original period of the lease in an amount at least sufficient to pay the principal and interest due on the bonds. These leases are automatically renewable for up to four additional five year terms at specified rental amounts. The current rent associated with these leases was \$18,800 for the year ended March 31, 2001.

Certain lease agreements of the Industrial Development Board provide for the purchase of the leased facilities when all amounts due on the related bond issued have been repaid and all the renewal term rents due have been received. The purchase option amounts are fixed by the respective lease agreements. Lease agreements with purchase options that have not been exercised and remain in effect total \$300,000 at March 31, 2001.

The Industrial Development Board is obligated under a lease agreement dated April 6, 1961, with the Airport Authority to pay ground rent in the amount of \$12,000 annually for the property on which the facilities occupied by Genesco, Inc. are located. The lease term runs concurrently with the Genesco, Inc. ground rent lease which expires on April 25, 2007. During the year ended March 31, 2001, rent under the long-term lease obligation was \$12,000. Future obligations over the term of the long-term lease are as follows:

<u>Year Ending March 31,</u>	<u>Amount</u>
2002	\$ 12,000
2003	12,000
2004	12,000
2005	12,000
2006	12,000
Thereafter	13,000
	<hr/>
Long-term capitalized lease obligation	\$ 73,000
	<hr/>

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 14 - INTERFUND RECEIVABLES AND PAYABLES

Individual fund interfund receivable and payable balances and amounts due to and due from component units at June 30, 2001 are as follows:

Fund	Receivable	Payable
Primary Government		
General Fund	\$ 7,073,972	\$ 13,038,877
Special Revenue Funds		
Metropolitan Action Commission -		
Watt Ad Program	2,448	2,496
Headstart Child Care	897	1,894
State Classroom	2	666
Administrative and Leasehold	144,428	3,691
Local Programs	-	769
Headstart Grant	106	195,313
Headstart CACFP	7,708	8,341
LIHEAP Grant	-	14,444
CSBG Grant	54,878	18,594
Summer Food Program	67	315,879
Headstart Expansion	124,793	18,126
Parks & Recreation Special Projects	-	7,998
Parks Learn and Serve Grant	-	305
General Fund 4% Reserve	2,188,202	723,509
Local Law Enforcement Block Grant of 1999	29,209	77,633
Advance Planning and Research	-	200,846
Solid Waste -		
Solid Waste Operations	3,830,588	149,744
Solid Waste Grants	967	-
Solid Waste Special Projects	-	19,906
Parks Resale Inventory	-	181,624
DUI Offender Education Treatment	731	-
Public Educational & Governmental Access	-	689
Library Special Projects	3,262	6,657
Library Services	2,215	8,935
Talking Library Service	5,341	-
Airport Noise Mitigation	-	21
Hotel Occupancy Tax	-	352,778
General Government Grants	1,241,372	51,843
District Attorney Special Operations	-	14,710
District Attorney Fraud & Economic Crime	201	-
Metro Major Drug Enforcement Program	75,283	9,683
1998 Tornado Relief	-	4,571
1999 Tornado Grant	564,470	-
Police Forfeitures	204,843	368,957
Police Federal Drug Enforcement	368,957	368,957
Police Federal Forfeiture	133,981	198,781
Drug Enforcement Program	368,957	145,156
Metropolitan Board of Education -		
General Purpose School	4,900,329	1,146,985
School State & Federal Special Grant	218,108	3,370,754
School Central Storeroom	165,439	-
School Food Service Program	311,092	290,336
Local Law Enforcement Block Grant of 2000	17,952	88,638
State Trial Court Drug Enforcement	20,643	124,242
State Trial Court Drug Test	-	144

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 14 - INTERFUND RECEIVABLES AND PAYABLES (CONTINUED)

Fund	Receivable	Payable
Primary Government (Continued)		
Special Revenue Funds (Continued)		
Juvenile Court Accountability	\$ 2,274	\$ 987
Health Title V Clean Air Act	313,295	-
Heath United Way Mobile Screen	-	500
2000 Storm Clean Up Grant	1,450	-
Community Services Agency	-	354,545
Nashville Career Advancement Center	347,281	463,072
ADA Management	285,053	3,659
Total Special Revenue Funds	15,936,822	9,317,378
Debt Service Funds		
General Services District – General Purposes	12,196,399	-
General Services District - School Purposes	2,011,869	4,927
Urban Services District - General Purposes	204,653	-
Total Debt Service Funds	14,412,921	4,927
Capital Projects Funds		
Multi-purpose Improvement Bonds of 1985 - GSD	-	7,676
Multi-purpose Improvement Bonds of 1987 - GSD	-	2,714
Multi-purpose Improvement Bonds of 1988 - GSD	-	14,959
Multi-purpose Improvement Bonds of 1990 - GSD	16,698	188,136
Multi-purpose Improvement Bonds of 1994 - GSD	-	16,620
Multi-purpose Improvement Bonds of 1999 - GSD	5,755	5,559,420
Public Improvement Bonds of 1996, Series A	-	930,036
Multi-purpose Improvement Bonds of 1997A - GSD	-	3,571,508
Arena Public Improvement Bonds of 1996A	-	169,522
Multi-purpose Improvement Bonds of 2001 - GSD	244,126	522,385
Deberry Capacity Improvement Bonds	-	286,130
Facilities Planning Capital Outlay	401,975	61,960
School Improvement Bonds of 1994	-	53,758
School Multi-purpose Improvement Bonds of 1997A	-	489,615
School Multi-purpose Improvement Bonds of 1999	-	204,736
School Multi-purpose Improvement Bonds of 2001	258,239	1,449,261
School Bus Capital Outlay Notes of 1999	4,927	-
Multi-purpose Improvement Bonds of 1985 - USD	-	358
Multi-purpose Improvement Bonds of 1990 - USD	-	13,104
Multi-purpose Improvement Bonds of 2001 - USD	57,540	694,654
Total Capital Projects Funds	989,260	14,236,552
Enterprise Funds		
Department of Water and Sewerage Services	795,520	232,947
Nashville Convention Center	-	51,552
Board of Fair Commissioners	-	26,365
Farmers Market	-	5,689
Police Secondary Employment	17,903	184,089
Total Enterprise Funds	813,423	500,642

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 14 - INTERFUND RECEIVABLES AND PAYABLES (CONTINUED)

Fund	Receivable	Payable
Primary Government (Continued)		
Internal Service Funds		
Central Printing	\$ 50,287	\$ 909
Motor Pool	761,397	5,542
Information Systems	1,004,588	2,200
Radio Shop	146,340	7,995
School Self Insured	-	1,667
General Government Self Insurance	164,755	65,573
School Professional Employee Insurance	189,644	-
Employees' Medical Benefit	558,287	1,133,360
Office Supply Storeroom	-	225
Metro Postal Service	45,968	688
Facilities Planning and Construction	402	7,207
Treasury Management	48,174	17,394
Total Internal Service Funds	<u>2,969,842</u>	<u>1,242,760</u>
Fiduciary Funds		
Flexible Benefits Plan	232,097	234,617
Metropolitan Employees' Benefit Trust	690,242	51,024
Employees' Pension and Insurance	572	280,088
Teachers' Retirement Plan	508,414	667,301
Teachers' Civil Service and Pension	-	228,426
Richard R. Rooker, Circuit Court Clerk	-	29,900
Claudia Bonnyman, Clerk and Master	-	3,400
Bill Covington, County Clerk	-	18,600
David Torrence, Criminal Court Clerk	-	29,747
Bill Garrett, County Register	-	325,830
Kenny Norman, Juvenile Court Clerk	-	91,976
Transit Authority Revenue	-	349
Total Fiduciary Funds	<u>1,431,325</u>	<u>1,961,258</u>
Total Primary Government	<u>43,627,565</u>	<u>40,302,394</u>
Component Units		
Governmental Types		
Sports Authority	<u>61,845</u>	<u>1,162,322</u>
Total Governmental Types	<u>61,845</u>	<u>1,162,322</u>
Proprietary Types		
Hospital Authority - General Hospital	114,690	59,092
Hospital Authority - Bordeaux Hospital	-	237,020
Metropolitan Transit Authority	349	2,005,701
Nashville Thermal Transfer Corporation	<u>270,920</u>	<u>415</u>
Total Proprietary Types	<u>385,959</u>	<u>2,302,228</u>
Total Reporting Entity before reconciling items	<u>44,075,369</u>	<u>43,766,944</u>
Metropolitan Development and Housing Agency (1)	<u>-</u>	<u>308,425</u>
Total Reporting Entity	<u>\$ 44,075,369</u>	<u>\$ 44,075,369</u>

(1) Liability incurred by the Metropolitan Development and Housing Agency after September 30, 2000, date of MDHA financial statements, and before June 30, 2001.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 15 - COMMITMENTS AND CONTINGENCIES

Litigation

The Metropolitan Department of Law estimated a potential liability for claims, suits and judgments filed for damages to persons and property and for other alleged claims arising out of matters incidental to the operation of the Government. The estimated liability is not expected to be liquidated with expendable available resources and is recorded in the General Long-term Debt Account Group. Any estimated liabilities attributable to proprietary funds and component units are recorded in those funds and units.

Insurance and Benefits

The Government and its component units are subject to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; illnesses or injuries to employees; and natural disasters.

Primary Government

The Government is self-insured with respect to liability claims. Liabilities for all accidents are generally limited under the Governmental Tort Liability Act of the Tennessee Code as follows:

	Non-automobile Accidents	Automobile Accidents
Bodily injury	\$ 130,000 per person 350,000 per accident	\$ 130,000 per person 350,000 per accident
Property damage	50,000 per accident	50,000 per accident

As of July 1, 2001 new limits are as follows:

	Non-automobile Accidents	Automobile Accidents
Bodily injury	\$ 250,000 per person 600,000 per accident	\$ 250,000 per person 600,000 per accident
Property damage	75,000 per accident	75,000 per accident

The Government is also self-insured with respect to casualty losses on real and personal property for the first \$2,000,000 of loss in any one year. Claims above this amount are covered by commercial insurance provided by independent insurers. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. The Government is also self-insured with respect to medical benefits and employee blanket bond coverage. Estimated losses for all self-insured risks of \$16,862,521 are recorded as liabilities in internal service funds.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 15 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

The following summarizes the changes in the estimated claims payable in the respective internal service funds for the years ended June 30, 2000 and 2001:

	School Self Insurance	General Government Self Insurance	School Professional Employees' Insurance	Employees' Medical Benefit	Total Internal Service Fund Types
Claims payable June 30, 1999	\$ 1,549,422	\$ 8,906,655	\$ 3,538,678	\$ 4,450,000	\$ 18,444,755
Add: Provision for events of the current fiscal year	-	800,488	21,479,689	26,027,354	48,307,531
Deduct: Payments on claims during the fiscal year	<u>722,136</u>	<u>2,453,744</u>	<u>21,052,408</u>	<u>26,405,354</u>	<u>50,633,642</u>
Claims payable June 30, 2000	827,286	7,253,399	3,965,959	4,072,000	16,118,644
Add: Provision for events of the current fiscal year	472,509	1,549,000	24,632,829	31,050,277	57,704,615
Deduct: Payments on claims during the fiscal year	<u>196,504</u>	<u>1,340,473</u>	<u>24,468,484</u>	<u>30,955,277</u>	<u>56,960,738</u>
Claims payable June 30, 2001	<u>\$ 1,103,291</u>	<u>\$ 7,461,926</u>	<u>\$ 4,130,304</u>	<u>\$ 4,167,000</u>	<u>\$ 16,862,521</u>

Component Units

The Metropolitan Development and Housing Agency maintains commercial insurance coverage to cover the various risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Agency. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The Hospital Authority participates in the Government's insurance and benefits programs.

The Electric Power Board is covered under the same Tort Liability Act as the primary government and is also a participant with the primary government in the General Government Self-Insurance Fund. The Board is self-insured for employee dental claims and self-insured up to \$100,000 for employee medical claims. The Board continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past two fiscal years.

The Metropolitan Transit Authority is self-insured for all vehicle accident losses up to \$500,000 per occurrence. Non-vehicle accident losses are fully covered under a self-insurance program. A provision has been made for all such known losses incurred through June 30, 2001.

The Metropolitan Transit Authority has purchased reinsurance which provides for reimbursement of paid medical claims in excess of \$75,000 per covered participant per agreement year, with the exception of two employees who have a \$100,000 specific deductible. The policy also provides a specified maximum of \$950,000 during the lifetime of a covered participant, and an aggregate maximum for total claims paid per agreement year. The aggregate maximum each year fluctuates based on the number of employees under single or family coverage contracts. The maximum amount that the reinsurance carrier will pay out in a plan year is \$1,000,000. Total claims paid in 2001 did not exceed the aggregate maximum.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 15 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

As required by a collective bargaining labor agreement, the Davidson Transit Organization Employee Benefit Trust was established to pay all medical claims for Metropolitan Transit Authority employees. The accrued medical claims and re-insurance amounts are recorded by the Trust. The Metropolitan Transit Authority funds the Trust on a break-even basis. At June 30, 2001, the Metropolitan Transit Authority owed the Trust \$461,589 which is included in other current liabilities.

The Nashville Thermal Transfer Corporation is a participant in the Government's Self Insurance fund for coverage of all property losses. The Corporation carries commercial insurance for all other risks of loss including general liability, automobile, workers' compensation, business interruption, boiler and machinery, directors' and officers' liability, and umbrella liability. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The Airport Authority accrues self-insured employee medical benefit claims. The liability for reported claims and claims incurred but not reported, an estimate of which is based on historical experience and management projections, is grouped with accrued payroll and related items in the financial statements. The Airport Authority carries commercial insurance for other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The Emergency Communications District is exposed to various risks of loss related to the theft, damage and destruction of assets. All equipment is covered by warranty and service agreements. The District carries fidelity bond insurance in the amount of \$165,000 for each staff and Board member and has had no claims or settled claims in the past three fiscal years.

The Industrial Development Board is self-insured for all losses to which it is exposed. The Board limits its risk by issuing no more than 85% of project values in bonds and by requiring companies receiving bond issuances to sign personal indemnities in case of default.

Federal and State Financial Assistance

The Government has received federal and state financial assistance for specific purposes that is subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the programs, it is believed that any required reimbursements would not be material to the general purpose and individual fund and component unit financial statements. Accordingly, no provision has been made for any potential reimbursements to the grantor agencies.

The full faith and credit of the Government is pledged for possible deficiencies in the collection of required state sewer user fees established in connection with certain grants received from the State Funding Board (TCA 53-2023 through 53-2028). The Department of Water and Sewerage Services acts as a conduit with respect to sewer user fees imposed by the state. These user fees are set at an amount sufficient to recover the project costs, including related interest expense. As of June 30, 2001, no deficiencies existed. The amount to be recovered from user fees is \$58,963,667 at June 30, 2001 and is recorded as contributed capital by the Department of Water and Sewerage Services.

Construction Commitments

Primary Government

Capital projects funds of \$187,670,568 are designated for specific capital projects at June 30, 2001.

At June 30, 2001, the Department of Water and Sewerage Services had commitments of \$28,584,690 for construction contracts. In addition, the Department is currently investigating various options to raise funds for wastewater system capital improvements mandated by the State of Tennessee Department of Health and Environment. The related capital expenditures are expected to total approximately \$133,400,000 through the year 2006. Failure to comply with the mandate and meet established deadlines could result in penalties up to \$500,000 per year. No such penalty has been assessed through June 30, 2001. Proposed plans to fund capital expenditures for the next few years include internally generated cash and Tennessee Local Development Authority Loans.

Component Units

The Metropolitan Nashville Airport Authority estimates the cost of completion of various construction projects at June 30, 2001 to be \$12,753,507, of which \$446,487 is expected to be reimbursed by other governmental agencies.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 15 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

Other Commitments

Primary Government

In May 1999, the Government entered into a memorandum of understanding with Dell Computer Corporation (Dell), whereby Dell agreed to locate a manufacturing and assembly plant in Davidson County, and the Government agreed to provide property, site improvements, and other economic incentives. One incentive program is a 40 year grant to Dell, where the Government will pay Dell, through the Industrial Development Board, \$500 per employee, based on the average number of full-time equivalent employees. Dell is expected to employ approximately 1,500 employees, and grant payments began with the 2000 fiscal year.

In May 1999, the Department of Water and Sewerage Services entered into a contract with Brown and Caldwell (the Contractor) in which the Department agreed to pay the Contractor for change management services to enable and assist the Department to achieve specified verifiable and sustainable operating expenses of \$60 million or less by June 30, 2004. The services are to be delivered by the Contractor in three phases. Fixed fees to be paid under the contract total \$1,200,000 (\$400,000 for Phase I and \$800,000 for Phase II). The contract also provides that whenever the Department attains a level of actual verifiable and sustainable expenses of \$64 million or less, the Contractor and the Department's employees shall receive a share of the additional savings (15% to 20%) according to the formula specified in the contract for each year the additional savings are attained for the term of the contract, which is currently expected to end on April 30, 2004.

The Department of Water and Sewerage Services has also entered into a contract with Utility Revenue Management Company, Inc. (the Contractor) in which the Department has agreed to pay the Contractor for situations identified by the Contractor where water and sewer services are unbilled or misbilled and corrective actions are recommended. Compensation to the Contractor under the contract is 45% of the gross increased revenues as defined in the contract. The contract expired July 6, 2001. The contract requires payment of fees to continue for 30 months after corrective action was identified. Fees paid to the Contractor for the year ended June 30, 2001 totaled \$628,459.

As of June 30, 2001, the Department of Water and Sewerage Services has a potential cumulative rebate liability on two of the six bond issues outstanding. The liability is approximately \$1,818,346 as of June 30, 2001 but is subject to change pursuant to computations undertaken up to and including the last day of the applicable bond year. Based on the Department's planned investment strategies and current market conditions, the Department anticipates a final liability of approximately \$1,250,000 and has recorded this amount in the financial statements.

Component Units

The Hospital Authority has entered into a agreement with Vanderbilt University Medical Center (Vanderbilt) to provide certain management services for General Hospital. The agreement ends on June 30, 2002 and requires annual payments to Vanderbilt of \$395,000, which will increase by 5% annually. The agreement also stipulates that the Hospital Authority will provide \$23,375,000 per year for the payment of all costs of the operations of General Hospital, and that 50% of any annual operating surpluses, as defined by the agreement, will be paid to Vanderbilt to be used to benefit General Hospital. The outstanding management fees and surplus payable to Vanderbilt is \$69,125 at June 30, 2001.

In August 1996, Congress approved the Health Insurance Portability and Accountability Act of 1996 (Act). Under the Act, the federal government was given substantial resources and authority for the completion of fraud and abuse investigations and the Act has established substantial fines and penalties for offenders. Management of the Hospital Authority continues to implement policies, procedures, and a compliance overview organizational structure to enforce and monitor compliance with this Act and other government statutes and regulations. The Hospital Authority's compliance with such laws and regulations is subject to future government review and interpretations, as well as regulatory actions which are unknown or unasserted at this time.

At September 30, 2000, the Metropolitan Development and Housing Agency has outstanding purchase commitments totaling \$37,237,552.

The Metropolitan Development and Housing Agency is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Agency's attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the Agency. Accordingly, no provision for loss, if any, related to these matters has been made in the financial statements.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 15 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

The Electric Power Board has entered into agreements with outside firms to provide information and data processing system support through 2003. The total commitment remaining under these agreements is \$5,644,808 through 2003.

The Electric Power Board is party to various litigation filed against it in the normal course of business. Management does not believe that damages, if any, arising from outstanding litigation, will have a material effect on the financial position of the Board.

The Metropolitan Transit Authority has a five-year contract, expiring August 2003, with a management company for advisory and management services. Under the contract, the Metropolitan Transit Authority is provided a one-member local management team, non-resident staff and overall supervision. Compensation for these services was approximately \$159,000 for the year ended June 30, 2001.

The Nashville Thermal Transfer Corporation has an agreement with a supplier which requires the Corporation to purchase minimum amounts of natural gas from the supplier through October 31, 2001. Under the terms of the agreement, the Corporation is to pay the supplier monthly minimum payments of approximately \$39,000, plus a fuel charge, regardless of the quantities supplied. Natural gas expense under such agreement for the year ended June 30, 2001 was approximately \$39,000. The future minimum payments due under this commitment is approximately \$156,000 for the year ended June 30, 2002.

The Airport Authority is a defendant in certain lawsuits filed by area residents who allege property value damage as a result of increased air traffic and other legal proceedings incidental to its operations. The Authority intends to vigorously defend itself in these actions. Management cannot predict the extent to which similar actions may be taken by other parties. In the opinion of management and the Authority's legal counsel, while the ultimate outcome of these matters, including an estimate of potential loss, cannot presently be determined, any losses sustained would be recoverable through the Authority's leases with certain airlines.

In August 1997, the Emergency Communication District's board of directors approved an Interlocal Agreement with the Government to assist in the financing of an 800 MHz radio system. The total cost of this equipment is estimated to be \$28 million, of which the District will be responsible for \$2.8 million per year, payable in semi-annual installments, over a ten-year period. To fund its portion of the acquisition, the District increased the monthly emergency telephone service subscriber fees. The Emergency Communications District also has annual maintenance contracts totaling approximately \$37,700.

The Nashville District Management Corporation has an agreement with the Government to provide program administration of the Nashville Central Business Improvement District in accordance with Tennessee law. The Corporation's duties and responsibilities under the agreement include but are not limited to providing services for improvement and operation of the District through security enhancement, downtown marketing, and improving downtown beautification, sanitation, and maintenance. The original term of the agreement is one year, renewable annually by the mutual notification by each party to the other. The agreement may be terminated by the Government upon thirty days notice.

The Nashville District Management Corporation has entered into an agreement with a service provider to provide a "Clean Team" for the District. Under the arrangement, the Clean Team serves primarily as a litter control and prevention service and secondarily as a resource of public information for downtown visitors, workers, shoppers and residents. The term of the agreement extends through June 30, 2001 and will not exceed \$356,652 annually.

The Nashville District Management Corporation receives personnel and administrative services from the Nashville Area Chamber of Commerce. In addition, the Corporation pays the Chamber a monthly management services fee of \$417. Substantially all management and general expense included in the financial statements was paid to the Chamber.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 16 – SUBSEQUENT EVENTS

On December 4, 2001, the Metro Council adopted a resolution authorizing the issuance and sale of General Obligation Refunding Bonds not to exceed \$262,255,000 in principal amount that are expected to be issued and delivered in January, 2002. The Sports Authority of the Government has authorized the issuance and sale of Revenue Refunding Bonds not to exceed \$75,000,000 in principal amount and the Metro Council has adopted an ordinance approving the issuance of said Bonds and pledging certain security for the Bonds. The Sports Authority Bonds will be issued and delivered simultaneously with the General Obligation Bonds. The Government has also approved the issuance of Correctional Facility Revenue Refunding Bonds not to exceed \$17,000,000 in principal amount to be issued and delivered in February, 2002. All the above bonds are being issued to refinance existing indebtedness at a cost savings.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS
FIDUCIARY FUNDS - PENSION TRUST FUNDS

For the Year Ended June 30, 2001

	Pension Trust Funds			
	General Services District			
	Davidson County Employees' Retirement	Metropolitan Employees' Benefit Trust	Employees' Pension and Insurance	Teachers' Retirement Plan
ADDITIONS:				
Investment income:				
Interest and dividend income	\$ 139	\$ 28,692,924	\$ 31,712	\$ 4,234,386
Net appreciation (depreciation) of investments	-	(186,439,565)	-	351,087
Miscellaneous	-	138,989	-	-
Total investment income (loss)	139	(157,607,652)	31,712	4,585,473
Less investment expenses	-	(5,972,350)	-	-
Net investment income (loss)	139	(163,580,002)	31,712	4,585,473
Contributions:				
Employee contributions	-	1,935,549	499	231,414
Employer contributions	2,733,131	28,622,300	6,809,746	5,979,961
Operating transfers in	-	81,527	-	-
Contributions from the State of Tennessee	-	-	3,382,771	13,823,076
Total contributions	2,733,131	30,639,376	10,193,016	20,034,451
Total additions	2,733,270	(132,940,626)	10,224,728	24,619,924
DEDUCTIONS:				
Pension benefits	2,733,268	44,788,494	10,224,728	30,645,380
Refunds of contributions	-	345,467	-	-
Administrative expenses	-	3,464,335	-	862,885
Operating transfers out	-	1,119,678	-	-
Total deductions	2,733,268	49,717,974	10,224,728	31,508,265
NET INCREASE (DECREASE)	2	(182,658,600)	-	(6,888,341)
FUND BALANCE RESERVED FOR EMPLOYEES' PENSION BENEFITS, beginning of year	734	1,586,654,880	283,447	129,326,594
FUND BALANCE RESERVED FOR EMPLOYEES' PENSION BENEFITS, end of year	\$ 736	\$ 1,403,996,280	\$ 283,447	\$ 122,438,253

The accompanying notes following the General Purpose Financial Statements are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS
FIDUCIARY FUNDS - PENSION TRUST FUNDS (CONTINUED)

For the Year Ended June 30, 2001

Pension Trust Funds		
Urban Services District		
Closed City Plan	Teachers' Civil Service and Pension	Total Pension Trust Funds
\$ 316	\$ 16,810	\$ 32,976,287
-	-	(186,088,478)
-	-	138,989
316	16,810	(152,973,202)
-	-	(5,972,350)
316	16,810	(158,945,552)
-	-	2,167,462
11,412,690	4,417,182	59,975,010
-	-	81,527
-	2,779,398	19,985,245
11,412,690	7,196,580	82,209,244
11,413,006	7,213,390	(76,736,308)
11,412,690	7,213,390	107,017,950
-	-	345,467
-	-	4,327,220
-	-	1,119,678
11,412,690	7,213,390	112,810,315
316	-	(189,546,623)
-	233,868	1,716,499,523
\$ 316	\$ 233,868	\$ 1,526,952,900

The accompanying notes following the General Purpose Financial Statements are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

COMBINING STATEMENT OF PLAN NET ASSETS
FIDUCIARY FUNDS - PENSION TRUST FUNDS

June 30, 2001

	Pension Trust Funds			
	General Services District			
	Davidson County Employees' Retirement	Metropolitan Employees' Benefit Trust	Employees' Pension and Insurance	Teachers' Retirement Plan
ASSETS:				
Cash and cash equivalents	\$ 400	\$ 70,703,716	\$ 154,261	\$ 6,706,633
Investments, at fair value:				
U.S. Treasury and Agency securities	-	85,635,570	-	18,972,456
Federal Home Loan Bank obligations	-	14,571,273	-	-
Federal Home Loan Bank Mortgage Corporation obligations	-	52,238,368	-	-
Federal National Mortgage Association obligations	-	78,540,995	-	-
Government National Mortgage Association	-	18,143,445	-	-
Corporate bonds and notes	-	129,427,542	-	20,878,407
International securities	-	203,553,353	-	-
Foreign government bonds	-	3,328,890	-	-
Common stock	-	673,818,644	-	72,848,202
Preferred stock	-	3,429,567	-	-
Foreign currency	-	18,401,998	-	-
Metro investment pool	334	1,755,397	129,186	1,017,585
Mortgages and real estate	-	36,859,286	-	-
Collateralized mortgage obligations	-	61,790,388	-	-
Limited partnerships	-	31,079,293	-	304,000
Annuities	-	1,042,766	-	-
Total investments	334	1,413,616,775	129,186	114,020,650
Receivables:				
Accounts receivable	-	3,780	278,028	1,162,990
Accrued interest receivable	2	5,723,568	1,488	708,138
Due from other funds of the primary government	-	690,242	572	508,414
Total receivables	2	6,417,590	280,088	2,379,542
Total assets	736	1,490,738,081	563,535	123,106,825
LIABILITIES:				
Accounts payable	-	86,656,679	-	1,271
Due to other funds of the primary government	-	51,024	280,088	667,301
Other liabilities	-	34,098	-	-
Total liabilities	-	86,741,801	280,088	668,572
FUND BALANCE RESERVED FOR EMPLOYEES' PENSION BENEFITS (A Schedule of Funding Progress for each plan is presented in Note 9.)	\$ 736	\$ 1,403,996,280	\$ 283,447	\$ 122,438,253

The accompanying notes following the General Purpose Financial Statements are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

COMBINING STATEMENT OF PLAN NET ASSETS
FIDUCIARY FUNDS - PENSION TRUST FUNDS (CONTINUED)

June 30, 2001

Pension Trust Funds		
Urban Services District		
Closed City Plan	Teachers' Civil Service and Pension	Total Pension Trust Funds
\$ 172	\$ 127,279	\$ 77,692,461
-	-	104,608,026
-	-	14,571,273
-	-	52,238,368
-	-	78,540,995
-	-	18,143,445
-	-	150,305,949
-	-	203,553,353
-	-	3,328,890
-	-	746,666,846
-	-	3,429,567
-	-	18,401,998
145	106,590	3,009,237
-	-	36,859,286
-	-	61,790,388
-	-	31,383,293
-	-	1,042,766
145	106,590	1,527,873,680
-	227,200	1,671,998
-	1,225	6,434,421
-	-	1,199,228
-	228,425	9,305,647
317	462,294	1,614,871,788
1	-	86,657,951
-	228,426	1,226,839
-	-	34,098
1	228,426	87,918,888
\$ 316	\$ 233,868	\$ 1,526,952,900

The accompanying notes following the General Purpose Financial Statements are an integral part of this financial statement.

APPENDIX B

FORM OF OPINION OF

BOND COUNSEL

BASS, BERRY & SIMS PLC

**A PROFESSIONAL LIMITED LIABILITY COMPANY
ATTORNEYS AT LAW**

KNOXVILLE OFFICE
900 SOUTH GAY STREET, SUITE 1700
KNOXVILLE, TN 37902
(865) 521-6200

MEMPHIS OFFICE
THE TOWER AT PEABODY PLACE
100 PEABODY PLACE, SUITE 950
MEMPHIS, TN 38103-2625
(901) 543-5900

Reply To:
AMSOUTH CENTER
315 DEADERICK STREET, SUITE 2700
NASHVILLE, TN 37238-3001
(615) 742-6200

www.bassberry.com

DOWNTOWN OFFICE:
AMSOUTH CENTER
315 DEADERICK STREET, SUITE 2700
NASHVILLE, TN 37238-3001
(615) 742-6200

MUSIC ROW OFFICE:
29 MUSIC SQUARE EAST
NASHVILLE, TN 37203-4322
(615) 255-6161

(FORM OF OPINION OF BOND COUNSEL)

Upon delivery of the Bonds, Bass, Berry & Sims PLC, Nashville, Tennessee, Bond Counsel
proposes to render its opinion with respect to the Bonds
in substantially the following form

Metropolitan County Council
The Metropolitan Government
of Nashville and Davidson County
Nashville, Tennessee

Morgan Keegan & Company, Inc.
Memphis, Tennessee

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by The Metropolitan Government of Nashville and Davidson County (Tennessee) (the "Issuer") of \$108,690,000 General Obligation Multi-Purpose Refunding Bonds, Series 2002, dated October 31, 2002 (the "Bonds"). In such capacity, we have examined the law and such certified proceedings and other documents as we deemed necessary to render this opinion, including, but not limited to, Resolution No. RS2001-510, adopted by the Metropolitan County Council on February 6, 2001, as supplemented and amended by Resolution RS2001-515 adopted by the Metropolitan County Council on February 20, 2001, Resolution RS2001-786, adopted by the Metropolitan County Council on October 16, 2001, Substitute Resolution No. R2002-1190, adopted by the Metropolitan County Council on October 1, 2002, and Substitute Resolution No. RS2002-1210, adopted by the Metropolitan County Council on October 15, 2002 (collectively, the "Resolution") authorizing the issuance and sale of the Bonds. The terms used herein, but not defined herein, shall have the respective meanings given such terms in the Resolution.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify such facts by independent investigation.

Based on the foregoing, we are of the opinion, as of the date hereof, as follows:

1. The Bonds have been duly authorized, executed and issued in accordance with the constitution and laws of the State of Tennessee and are valid and binding general obligations of the Issuer.
2. The Resolution of the Metropolitan County Council of the Issuer authorizing the Bonds has been duly and lawfully adopted, is in full force and effect and is a valid and binding agreement of the Issuer enforceable in accordance with its terms.
3. The Bonds constitute general obligations of the Issuer for the payment of which the Issuer has validly and irrevocably pledged its full faith and credit and unlimited taxing power. The principal of, premium, if any, and interest on the Bonds are payable from the debt service fund of the General Services District of the Metropolitan Government for debt service attributable to projects in the General Services District, from the debt service fund of the Urban Services District of the Metropolitan Government for debt service attributable to projects in the Urban Services District, and from the school debt service fund for debt service attributable to school projects; provided, however, that the Metropolitan Government is unconditionally and irrevocably obligated to levy and collect ad valorem taxes without limit as to rate or amount on all taxable property in the General Services District to the full extent necessary to pay all principal, premium and interest on the Bonds, and the full faith and credit of Metropolitan Government is pledged to the payment thereof.
4. Interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; provided, however, that for purposes of computing the alternative minimum tax imposed on certain corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. The opinion set forth in the preceding sentence is subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Issuer has covenanted to comply with all such requirements. Failure to comply with certain of such requirements could cause interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. Except as set forth in this paragraph, we express no opinion regarding other federal tax consequences arising with respect to the Bonds.
5. Under existing law, the Bonds and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) inheritance, transfer and estate taxes, (b) Tennessee excise taxes on all or a portion of the interest on the Bonds during the period such Bonds are held or beneficially owned by any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee, and (c) Tennessee franchise taxes by reason of the inclusion of the book value of the Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee.

It is to be understood that the rights of the owners of the Bonds and the enforceability of the Bonds and the resolution authorizing the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in equity.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds.

This opinion is given as of the date hereof, and we assume no obligation to update or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

Bass, Berry & Sims PLC

APPENDIX C

INFORMATION RELATED TO DEPOSITORY TRUST COMPANY

INFORMATION RELATED TO DEPOSITORY TRUST COMPANY

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds (the “Securities”). The Securities will be issued as fully registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Security certificate will be issued for the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC.
2. DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants (“Direct Participants”) deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Direct Participants’ accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The Rules applicable to DTC and its Direct and Indirect Participants are on file with the Securities and Exchange Commission.
3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.
4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.
5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Securities, such as redemptions, defaults, and proposed amendments to the security documents. Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners, or in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all the securities shall be called for redemption, the maturities to be redeemed shall be selected by the Metropolitan Council in its discretion. If less than all of the Securities within a maturity of an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.
7. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Securities. Under its usual procedures, DTC mails an Omnibus Proxy to the Metropolitan Government as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).
8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Metropolitan Government or Paying Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Paying Agent, or the Metropolitan Government, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividends to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Metropolitan Government or Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.
9. DTC may discontinue providing its services as securities depository with respect to the Securities at any time by giving reasonable notice to the Metropolitan Government or Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Security certificates are required to be printed and delivered.
10. The Metropolitan Government may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered.
11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Metropolitan Government believes to be reliable, but the Metropolitan Government takes no responsibility for the accuracy thereof.

APPENDIX D

CONTINUING DISCLOSURE UNDERTAKING

CONTINUING DISCLOSURE

The Metropolitan Government will at the time the Bonds are delivered execute a Continuing Disclosure Certificate under which it will covenant for the benefit of holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the Metropolitan Government by not later than nine months after the end of the fiscal year commencing with the fiscal year ending June 30, 2002 (the "Annual Report"), and to provide notice of the occurrence of certain enumerated events, if determined by the Metropolitan Government to be material under applicable federal securities laws. The Annual Report (and audited financial statements if filed separately) will be filed by the Metropolitan Government with each Nationally Recognized Municipal Securities Information Repository (the "Repositories") and any State Information Depository which may be established in Tennessee (the "SID"). If the Metropolitan Government is unable to provide the Annual Report to the Repositories and the SID, if any, by the date set forth above for the filing of the Annual Report, notice of such failure shall be sent to the Repositories and the SID, if any, on or before such date. The notices of material events will be filed by the Metropolitan Government either with the Repositories or with the Municipal Securities Rulemaking Board and any SID. The specific nature of the information to be contained in the Annual Report or the notices of material events is summarized below. These covenants have been made in order to assist the Purchaser in complying with SEC Rule 15c2-12(b) (the "Rule"). The Metropolitan Government has never failed to comply in all material respects with any previous undertakings with regard to the Rule to provide Annual Reports or notices of Material Events.

Content of Annual Reports. The Metropolitan Government's Annual Report shall contain or incorporate by reference the General Purpose Financial Statements of the Metropolitan Government for the fiscal year, prepared in accordance with generally accepted accounting principles; provided, however, if the Metropolitan Government's audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained herein, and the audited financial statements shall be filed when available. The Annual Report shall also include in a similar format the following information included in Part II entitled YEARLY INFORMATION STATEMENT.

1. "PRIORITY CAPITAL PROJECTS PLANNING" as shown on page II-3;
2. "REVENUES" as shown on page II-5;
3. "PROPERTY TAXES" as shown on pages II-6 through II-10
4. "SUMMARY OF MAJOR FUNDS" as shown on pages II-11 through II-13;
5. "COMPUTATION OF NET GENERAL OBLIGATION DEBT" as shown on page II-14;
6. "DEBT RATIOS AS OF JUNE 30, 2001" as shown on page II-15;
7. "CALCULATION OF SELF-SUPPORTING DEBT" as shown on page II-15;
8. "HISTORICAL DEBT RATIOS" as shown on pages II-16 through II-17;
9. "NASHVILLE THERMAL TRANSFER CORPORATION" as shown on page II-19; and
10. "SUMMARY OF THE UNFUNDED PENSION BENEFIT OBLIGATION OF THE CITY AND METROPOLITAN GOVERNMENT PLANS AND THE BOARD OF EDUCATION PLANS," as shown on page II-20;

Any or all of the items above may be incorporated by reference from other documents, including OFFICIAL STATEMENTS in final form for debt issues of the Metropolitan Government or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document incorporated by reference is a final OFFICIAL STATEMENT, in final form, it will be available from the Municipal Securities

Rulemaking Board. The Metropolitan Government shall clearly identify each such other document so incorporated by reference.

Reporting of Significant Events. The Metropolitan Government will file notice regarding material events either with the Repositories or with the Municipal Securities Rulemaking Board and SID, if any, as follows:

1. Whenever the Metropolitan Government obtains knowledge of the occurrence of a Listed Event (as defined in (3) below), the Metropolitan Government shall as soon as possible determine if such event would be material under applicable Federal securities laws.
2. If the Metropolitan Government determines that knowledge of the occurrence of a Listed Event would be material (under applicable Federal securities laws), the Metropolitan Government shall promptly file a notice of such occurrence either with the Repositories or with the Municipal Securities Rulemaking Board and SID, if any. Notwithstanding the foregoing, notice of Listed Events described in subsection (3)(h) and (i) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds pursuant to the Resolution.
3. The following are the Listed Events:
 - a. Principal and interest payment delinquencies;
 - b. Non-payment related defaults;
 - c. Unscheduled draws on debt service reserves reflecting financial difficulties;
 - d. Unscheduled draws on credit enhancements reflecting financial difficulties;
 - e. Substitution of credit or liquidity providers, or their failure to perform;
 - f. Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
 - g. Modifications to rights of security Bondholders;
 - h. Bond calls;
 - i. Defeasances;
 - j. Release, substitution, or sale of property securing repayment of the Bonds; and
 - k. Rating changes.

Termination of Reporting Obligation. The Metropolitan Government's obligations under the Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

Amendment; Waiver. Notwithstanding any other provision of the Disclosure Certificate, the Metropolitan Government may amend the Disclosure Certificate, and any provision of the Disclosure Certificate may be waived, provided that the following conditions are satisfied:

- (a) If the amendment or waiver relates to the provisions concerning the Annual Report and Reporting of Significant Events it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Resolution for amendments to the Resolution with the consent of Holders, or (ii) does not, in the opinion of the Trustee or nationally recognized bond counsel, materially impair the interests of the Holders or beneficial owners of the Bonds.

In the event of any amendment or waiver of a provision of the Disclosure Certificate, the Metropolitan Government shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Metropolitan Government. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Default. In the event of a failure of the Metropolitan Government to comply with any provision of the Disclosure Certificate, any Bondholder or any Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Metropolitan Government to comply with its obligations under the Disclosure Certificate. A default under the Disclosure Certificate shall not be deemed an event of default, if any, under the Resolution, and the sole remedy under the Disclosure Certificate in the event of any failure of the Metropolitan Government to comply with the Disclosure Certificate shall be an action to compel performance.

APPENDIX E

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

**(INSURING BONDS MATURING NOVEMBER 15, 2022 THROUGH
NOVEMBER 15, 2024, INCLUSIVE)**



**FINANCIAL
SECURITY
ASSURANCE®**

MUNICIPAL BOND INSURANCE POLICY

ISSUER:

BONDS:

Policy No.: -N

Effective Date:

Premium: \$

FINANCIAL SECURITY ASSURANCE INC. ("Financial Security"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of Financial Security, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which Financial Security shall have received Notice of Nonpayment, Financial Security will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by Financial Security, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in Financial Security. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by Financial Security is incomplete, it shall be deemed not to have been received by Financial Security for purposes of the preceding sentence and Financial Security shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, Financial Security shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by Financial Security hereunder. Payment by Financial Security to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of Financial Security under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless Financial Security shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds

made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to Financial Security which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

Financial Security may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to Financial Security pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to Financial Security and shall not be deemed received until received by both and (b) all payments required to be made by Financial Security under this Policy may be made directly by Financial Security or by the Insurer's Fiscal Agent on behalf of Financial Security. The Insurer's Fiscal Agent is the agent of Financial Security only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of Financial Security to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Financial Security agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to Financial Security to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of Financial Security, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, FINANCIAL SECURITY ASSURANCE INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

[Countersignature]

FINANCIAL SECURITY ASSURANCE INC.

By _____

By _____
Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd.
350 Park Avenue, New York, N.Y. 10022-6022

(212) 826-0100

Form 500NY (5/90)